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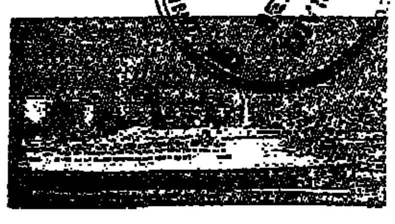

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FINANCIAL TIMES

Monday August 17 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Bush campaign focuses attack on Congress

US President George Bush yesterday focused his re-election strategy on attacking the Democrat-controlled Congress. In a TV news broadcast, Mr Bush tried to portray himself as having been too busy dealing with Congress to lay out an agenda for a second term. Page 10; Republican convention, Page 3; Editorial comment, Page 8; Observer, Page 9

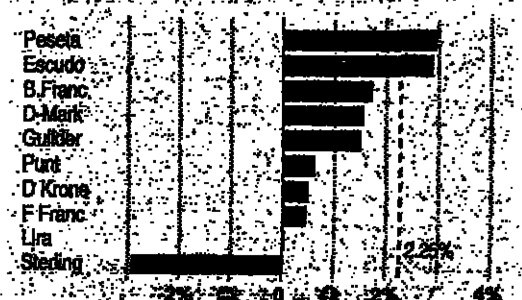
Citicorp, America's biggest bank, has finally agreed to closer regulatory scrutiny. It joins 530 other US banks which need special attention because of problems with bad loans and shrinking capital. Page 11

Afghans seek safety: Thousands are trying to leave the Afghan capital, Kabul, after a week of rocket fire from a dissident mujahideen group led by Gulbuddin Hekmatyar. Most UN staff withdrew amid renewed rocket fire. Pakistan PM cools towards Hekmatyar, Page 3

Record reserves: Taiwan's foreign currency reserves, the biggest in the world, surged to a record high of US$86.6bn (£45.3bn) at the end of June. May's figure was $84.6bn. Page 3

European Monetary System: This may be sterling's toughest week this year. The currency is again at the bottom of the EMS grid, at its lower limit against the Portuguese escudo and the Spanish peseta. The banks of Spain and Portugal may be forced into covert intervention to keep their currencies within the permitted differential of 6.18 percentage points against the pound. Of greater concern is sterling's weakening against the D-Mark. It is now less than 4 pfennigs above DM2.7780, its absolute floor against the German currency. Currencies, Page 23; Lex, Page 10

EMS: Grid August 14, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with six per cent fluctuation bands.

Canadian Airlines International is delaying merger talks with Air Canada while it considers an employee buy-out proposal backed by several Canadian provincial governments. Page 14

'Bring back roubles': Ukraine needs a "tactical retreat" from coupons, the republic's shaky quasi-currency, according to Vadim Hetman, chairman of the Ukraine National Bank. Page 2

Snub for Collor: Brazilians ignored an appeal from President President Fernando Collor de Mello for them to wear the national colours as a sign of opposition to corruption charges threatening his government. Instead, many wore black in "mourning" for their corruption-plagued country.

Pinatubo seethes: About 2,000 Filipino villagers have fled from homes near Mount Pinatubo after warnings that the volcano may be about to erupt again. Hundreds died in last year's eruptions.

Co-operation promised: Zairean president Mobutu Sese Seko pledged he would co-operate with Etienne Tshisekedi, his arch-rival and the man elected prime minister by the national conference guiding the country to multi-party democracy.

Danish aircraft crashes: Five people were killed when a small Danish aircraft crashed into Lake Vanern in southern Sweden. Three others were rescued.

Takeover troubles: Instability in the UK stockmarket is making it hard for companies to stage successful takeovers unless they can make all-cash bids or offer significant proportion of cash. Page 11

Baby back home: Six-month-old Farrah Quli flew home to London from Ireland with her parents Shane and Bernadette. The baby was found safe an well in an Irish village two days after being taken from her east London home by a woman posing as a childminder.

Messy mountain: Climbers attempting Mount Everest will from next month have to pay Nepal a cleanliness fee of $4,000. The money will be used to remove rubbish from the mountains.

Crazed taxi driver: A deranged South Korean taxi driver in Seoul deliberately mowed down 19 people, then injured 17 more by driving into the crowd which gathered to help his victims.

BCCI under new name: Bangladeshi premier Begum Khaleda Zia opened the Eastern Bank, which incorporated all the assets and liabilities of the former Bangladeshi branch of the Bank of Credit and Commerce International.

Mansell victorious: Nigel Mansell, 39, became Formula One world drivers' champion – the first Briton to take the title for 16 years. He secured it by finishing second in yesterday's Hungarian Grand Prix. Picture, Page 10

Major and Bush defer sending troops to Bosnia

By Philip Stephens and Judy Dempsey in London

BRITAIN yesterday left open the possibility that it would send troops to protect aid convoys in Bosnia as Mr John Major, the prime minister, announced he was interrupting his holiday for emergency talks on the crisis.

British officials, however, said Mr Major was determined British troops should not become embroiled in a peacekeeping role in Bosnia.

President George Bush reiterated that the US would not involve US servicemen in any multinational force "for the time being." British officials emphasised that Mr Major's return to London tomorrow from Spain for talks with senior cabinet colleagues did not signal the imminent despatch of ground troops to the former Yugoslav republic.

The prime minister instead planned a detailed review of the options following last week's UN resolution authorising the use of "all necessary measures" to ensure that humanitarian aid convoys were protected. The resolution fell short of advocating military force.

Mr Major's decision to raise the UK's profile in international efforts to restore peace to Bosnia is partly in response to mounting criticism that his government, the current holder of the EC presidency, has not done enough to co-ordinate international action.

His decision coincided with criticism of Serbia by Mr Douglas Hogg, the foreign office minister.

Mr Hogg said next week's London peace conference on Yugoslavia, sponsored by the EC and UN, would make it clear to Serbian leaders that their country would remain a "pariah" state until it reversed the policy of "ethnic cleansing" in Bosnia.

But a US diplomat in Belgrade yesterday said it was "naive" to believe that ethnic cleansing could be reversed.

"Entire Moslem-inhabited villages have been destroyed, and territory seized, and it is highly unlikely that territory [in Bosnia] seized and controlled by Bosnia's Serbs and Croats, will be relinquished," he added.

EC officials will meet in Brussels today to discuss measures to stop violations of UN sanctions against Serbia and Montenegro, its remaining ally from the former Yugoslavia, a German foreign ministry spokesman said.

Mr Bush, meanwhile, said during a television interview shown yesterday: "I don't want to commit a soldier to battle unless I know that we've got the wherewithal for them to win, and win fast, and that I can see how that soldier's going to get out of there with his head high, his country backing him."

He added: "The United States cannot be the world's policeman."

In Bosnia, UN peacekeepers based in the besieged city of Sarajevo finally managed to reach the blockaded town of Gorazde, east of the Bosnian capital.

Mr Ron Redmond, a spokesman for the UN High Commissioner for Refugees in Zagreb, the Croat capital, said an eight-truck food convoy delivered 46 tonnes of food and medicine to Gorazde.

A mined bridge, however, prevented the convoy from returning to Sarajevo. Three French armoured personnel carriers, and de-mining experts were sent from the Bosnian capital to rescue the convoy. They were expected back in Sarajevo last night.

Hospital crisis, Page 2
Twin tasks to stop the strife, Page 8

US threat to bomb Iraq over UN access

By Roger Matthews, Middle East Editor, in Washington

THE US is prepared to bomb targets in Iraq within days if President Saddam Hussein again attempts to defy UN weapons inspectors in Baghdad. Officials say air strikes would be triggered if Iraq carried out its threat, made earlier this month, to deny the UN team access to government ministries.

The US Administration is confident that the 22-strong UN team in Baghdad will demand to visit the Ministry of Military Industrialisation before its planned departure from Iraq tomorrow. Mr Nikita Smidovich, the Russian who heads the team, said yesterday he was "awaiting instructions" from UN headquarters in New York on the timing of his departure.

Following five hours of discussions with Iraqi officials, Mr Smidovich said: "Tomorrow [Monday] will be an inspection day."

The New York Times claimed yesterday the confrontation with Iraq was being provoked by the White House to boost President George Bush's flagging re-election campaign. It said the decision was taken last week during a series of meetings which included consultations with British and French officials.

Mr Dick Cheney, defence secretary, said the report was "dead wrong". It did not make any sense to take action against Saddam just because of the .

A State Department official stressed that any US-Iraqi confrontation was entirely the responsibility of Baghdad. Iraq's refusal last month to allow UN inspectors access to the Ministry of Agriculture sparked the present crisis. Washington has repeatedly stressed its readiness to use force if Iraq did not comply with UN resolutions.

Military preparations for renewal of hostilities with Iraq are well advanced. More than 5,000 US troops are in Kuwait for two months of exercises, brought forward in response to the increased belligerence from Baghdad. Additional batteries of Patriot missiles are being delivered to Bahrain and Kuwait, while the Pentagon confirmed that an air warfare control group has been sent to Saudi Arabia from its base in South Carolina.

The US has more than 200 strike aircraft in the region, principally in Saudi Arabia and on the carrier Independence in the Gulf. It also has Tomahawk cruise missiles which could be used as the main strike weapon.

The US could also use the confrontation with Iraq to aid Shia

Continued on Page 10

A Somali mother and child beg for food in Mogadishu. As drought tightens its grip on the country, the US and United Nations are preparing to provide water relief

Somali aid shipment looted by militia

By Julian Ozanne and Michael Holman in Mogadishu

RELIEF operations in famine-stricken southern Somalia were sabotaged yesterday when armed looters seized part of the first United Nations shipment of food and fuel into the port of Kismayo.

In an incident which underlines the urgent need for UN military protection of relief operations, local militia hired to protect the shipment carried off 600 tonnes of food and fuel.

The supplies were meant for an estimated 200,000 starving people in and around the port, including 10,000 children believed by the UN to be in the final throes of malnutrition.

About 1.5m people are facing imminent starvation throughout the country.

The looting in Kismayo took place as rival gunmen shot dead three people in the port of Mogadishu, disrupting efforts to unload food from two ships.

In spite of security problems, international relief efforts were boosted yesterday by the announcement that the US would begin an airlift of 145,000 tonnes of food to Somalia. But the news took aid officials in Mogadishu by surprise, raising questions about the level of co-ordination between donors.

An Irish relief official aboard the ship in Kismayo described the scene in a radio call to UN

Continued on Page 10

British recovery hampered by stagnant housing market

By Edward Balls

ONE MILLION British households – one in every 10 homeowners with a mortgage – may be trapped with homes worth less than the value of their loans, according to the Bank of England.

The total value of this "negative equity" amounts to about £6bn, ($11.5bn) an average of £6,000 per household affected, the Bank estimates in its next quarterly bulletin.

This assessment of the depth of Britain's housing market crisis provided further evidence of the obstacles to a consumer-led recovery. It came as the Confederation of British Industry, the employers organisation, announced a sharp fall in July retail sales, compared with a year ago. This was the second successive monthly fall.

Retailers said that sales for the time of year were more depressed in July than at any time since the CBI distributive trades survey began in 1983.

Sales linked to the housing market were among the worst hit sectors. "Furniture and carpet retailers are among those reporting the sharpest annual decline in sales," said Mr Andrew Sentance, director of economics at the CBI.

The Bank of England report suggests that households will have to maintain high savings ratios for some years to rebuild their balance sheets. If house prices were to rise by 1 per cent per quarter, then the value of negative equity would fall to around £2¼bn by the end of 1993, although 600,000 households would still face a shortfall.

But if they fall by a further 1 per cent a quarter, then the vale of negative equity would rise to £10½bn by the end of 1993, affecting more than 1.6m households. A recent research paper by Morgan Grenfell, the UK investment bank, forecast that house prices would fall by an average 2.5 per cent next year, and by 4.5 per cent in the south-east.

The two reports painted a "devastatingly bleak" picture for the British economy, said Mr Roger Bootle, economist at Midland Montagu, the investment bank. "There is a direct conflict between the government's policy for near-zero inflation and the prospects for relief for hard-pressed homeowners," he said.

"If the impotence of the housing market remains, consumer spending is going to be weak not for one or two quarters but for many years to come", Mr Bootle said. Analysts expect official figures for retail sales volumes for July, released on Wednesday, to be flat compared with June and down 0.1 per cent compared to a year ago.

The opposition Labour party's spokesman on economic affairs, Mr Gordon Brown, called for Mr John Major, the prime minister, to meet mortgage lenders to consider new measures to lift the depressed housing market. He told a Labour party meeting that the Tory party was in "disarray over its mishandling of the economy". Britain should use its EC presidency to urge "co-ordinated action to expand the economies of Europe and get interest rates down", he said.

Nominal house prices in the south-east have fallen by 25 per cent since their peak in the last quarter of 1988. The Bank estimates that 876,000 households were caught in the negative equity trap by falling house prices. Of these, 523,000 are in the south-east.

Banks suffer, Page 4

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

CONTENTS

Moscow's mayor thrives in icy waters

Yuri Luzhkov believes he is making headway despite his bitter inheritance, writes Leyla Boulton

MR Yuri Luzhkov inherited three gifts when he took over as mayor of Moscow in June: privatisation which was fast but ineffective, an obstreperous city legislature, and a mountain of corruption allegations.

One year after the abortive coup which he played a prominent role in opposing as deputy mayor, this thick-skinned 55-year-old believes he is making headway on market reforms in spite of the setbacks over the past year.

Since the euphoria over the coup's defeat, many Russians, ground down by the harsh economic reforms which followed, have also come to feel sympathy for the Communist leaders who claim they were only trying to save the Soviet Union.

But Mr Luzhkov opposes calls to let them off.

The mayor, who was appointed for his bravery during the coup to the interim committee which ran the Soviet economy until the country's collapse in December, says: "I am categorically against pardoning them. We have a responsibility to history. If we want to live in a democratic system, they must be severely punished."

He also rejected increasingly fashionable calls by many politicians and industrial plant managers for the resignation of Mr Yegor Gaidar, the young acting prime minister who launched the painful reforms.

"Gaidar is not the the same Gaidar as the man who came to office a year ago. He is a man who has undergone the harshest criticisms ... and is no longer just building macro-economic models," he said.

As for his own reform plans for Moscow, Mr Luzhkov disclosed that in a few weeks, he would make it legal for anybody, including foreigners, to buy land outright. This has so far not been possible under national legislation because of fears in the Russian parliament that foreigners will buy up the country. He also pointed to the little-publicised fact that foreigners could now buy flats in Moscow, a right so far reserved for Russians.

On Saturday, the capital will conduct its first auction of buildings which the bankrupt state building sector has been unable to finish.

He said hard currency proceeds of real estate deals would finance the building of municipal housing for Muscovites who had been queueing for years for their own flat under the old state system. Most of what he does involves riding rough-shod over an antiquated city legislature inherited from the Bolsheviks.

Mr Luzhkov has also dropped the give-away privatisation methods launched by his predecessor, Mr Gavriil Popov. It had been fast and had kept work collectives happy, but had made little or no improvement to the quality of goods and services. In some cases, the method justified by Mr Popov to "smash state property at all costs" had made things worse.

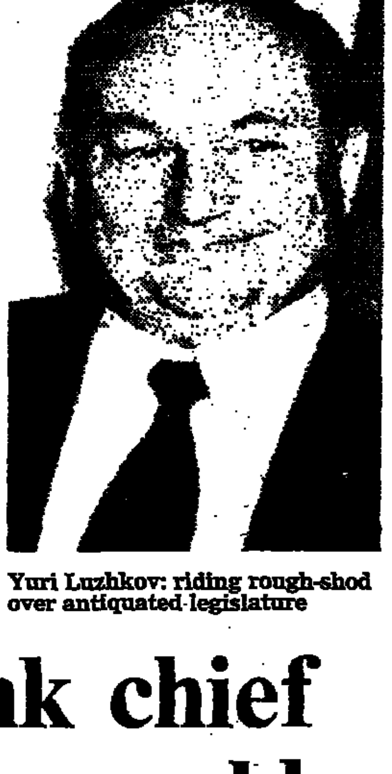
"A simple man assesses reforms through his pay packet and the situation in the shops. If these become worse, he will decide that market reform is a load of nonsense and that things were better under the Communists. This is alarming."

A number of shops, for instance, had stopped selling basic commodities like bread, and turned themselves into wholesalers of consumer goods for the little retail kiosks which have sprung up all around Moscow as a result of a presidential decree allowing free trade.

He would now try the auction system of privatisation introduced by the government elsewhere in Russia. He would also clamp down on the street sellers despite the continuation of the presidential decree.

He also dismissed allegations of corruption which have dogged him and his colleagues, saying hurtful lies were an additional reason for the resignation of Mr Popov, who said he was stepping down to defend democratic politics at national level.

In a new departure for Russian politicians, who usually do not sue, Mr Luzhkov, who enjoys swimming in sub-zero temperatures, says he has already won the first of six libel suits he has lined up against Russian newspapers.



Yuri Luzhkov: riding rough-shod over antiquated legislature

Health care hit as sanctions hurt Belgrade

By Laura Silber in Belgrade

UNITED Nations sanctions, including an oil embargo, imposed on May 31 against the reconstituted Yugoslavia, are biting hard in Belgrade despite allegations of widespread violations.

The effects are far broader than petrol queues snaking out from the few city filling stations still open.

Amid an overall collapse of the economy, hospitals are among the hardest hit. "All the doctors pray that we won't fall ill because we know there is no way to be cured," says a young endocrinologist in Belgrade.

Dr Sasa Simic, a surgeon who works at one of Belgrade's top hospitals, calls the present state of health care a "catastrophe". Patients are admitted to hospital only if they can supply their own medicine, anaesthetic, bandages, and towels.

"We do not have any material. No sutures, no plastic gloves. Everything we used was imported from the US." Doctors say while medicine is supposed to be exempt from the sanctions, medicines must go through the UN bureaucracy in order to be imported.

A cardiologist who spoke on condition of anonymity said: "The import of medicines theoretically is not banned. But it is blocked because it is illegal to import packaging."

The shortages have forced doctors into an ethical dilemma: to choose which patients should be allowed medical care. "We now have to reject all patients for elective surgery, operating only on those with cancer or injuries," says Dr Simic. He explains how hernia patients, for example, are told to go home and wait for better days.

Haematologists say the treatment of blood disease has stopped because diseases such as leukaemia were treated exclusively with imported drugs.

Dr Simic says: "We now have a rise of urinary infections because we no longer have disposable catheters. Infection results because everything must be washed by hand."

An official from the World Health Organisation (WHO) said it would soon be hazardous to drink tap water because Serbia and Montenegro, the sole members of Yugoslavia, can no longer provide the chemicals for purification. Flats in about half of Belgrade for the past five days have been without any water at all.

But Dr Simic says: "Medicine is so hard hit that all other problems – gas queues and shortages – seem irrelevant."

A Georgian national guardsman rests before going into action near Sukhumi

Ukraine's bank chief seeks return to rouble

By Chrystia Freeland in Kiev

UKRAINE needs a "tactical retreat" from the coupon, the republic's faltering quasi-currency, and re-introduction of the Russian rouble, according to Mr Vadim Hetman, chairman of the Ukraine National Bank.

The National Bank of Ukraine is emerging as the strongest proponent of tougher economic policies for the republic, but fears its belt-tightening measures will be opposed by Mr Vitold Fokin, the prime minister.

The showdown could come in September, when Mr Hetman plans to present a tough stabilisation programme to parliament. The struggle will pit the technocrats at the National Bank, who are itching to become members of good standing in the international banking community, against Mr Fokin's insular, Communist-dominated cabinet of ministers, which is struggling to preserve a command economy.

First introduced in January as a stop-gap solution to Ukraine's severe shortage of roubles, the coupon now accounts for 97 per cent of official cash transactions in Ukraine.

However the government's ballooning budget deficit and lax credit policies have rapidly eroded the value of the coupon from an initial two or three roubles to the current rate of between 60 and 65 kopeks.

"The state of the coupon is a national tragedy," Mr Hetman said at an emotional press conference over the weekend closed to foreign journalists.

"We took a series of provocative acts against the coupon which no currency in the world could endorse and which no other government in the world could countenance."

Mr Hetman, a hard-headed manager who ran Ukraine's largest commercial bank before moving to the National Bank this spring, outlined a two-part strategy to rescue the coupon.

In the short-term, Mr Hetman said: "We must arrange a temporary marriage with the rouble. This is a tactical retreat."

In a move piloted in Crimea last week, Mr Hetman would like to re-introduce the rouble as a parallel currency in mainland Ukraine, where state stores only accept coupons.

In the long term, Mr Hetman wants to restrict the issuing of coupons by putting a ceiling on wages and severely cutting credits to inefficient state enterprises.

However, discussions of these proposals late on Friday with Mr Fokin did not encourage him. "The prime minister does not want us to take these steps but wants us to stick with the old policy," he said.

Mr Hetman blamed Mr Fokin's government and the parliament for Ukraine's runaway inflation.

"The parliament and the government continue to print money and to endorse increasingly costly programmes, despite the repeated protests of the National Bank," he said.

Mr Hetman warned that, if the introduction of Ukraine's long-awaited separate currency, the hryvnia, was to be successful, "these 'stabilisation' measures must be implemented by the end of the year." The final decision on when to introduce the hryvnia would be taken in September.

The manner in which several CIS members are tinkering with the rouble is causing growing alarm to the monetary authorities in Moscow, writes John Thornhill in Moscow.

On Saturday, Azerbaijan announced it was to print a new currency, the manat, to supplement a shortage of roubles circulating in the trans-Caucasian state. Workers will now receive 20 per cent of their pay in manats. The Azeri central bank said it would issue three different denominations of manat bank notes. One manat would be equivalent to 10 roubles.

Other former Soviet republics have also issued parallel currencies, although only Estonia has completely abandoned the rouble - introducing its own kroon.

Many western economists and bankers have argued that a proliferation of national currencies among the republics of the former Soviet Union will only hamper trade within the region.

Twenty killed in Georgia as Russian troops fly in

By John Thornhill in Moscow and Agencies

OVER 20 people have been killed in three days of clashes in the breakaway Abkhazia region of western Georgia.

The violence prompted Moscow to despatch a paratroop regiment to the regional capital of Sukhumi, scene of the worst violence, to help protect its own citizens and help evacuate 1,700 threatened Russian holidaymakers.

In spite of a formal ceasefire between the Georgian authorities and Abkhazia at the weekend, fighting flared again yesterday in Sukhumi.

The fighting first began in the regional capital on Friday, when Georgian troops were deployed there after separatists kidnapped several officials, including the Georgian interior minister, Mr Roman Gventsadze. All were subsequently released.

The ruling State Council claimed Georgian forces now fully controlled the situation in the west of the country and had arrested 200 suspected members of "bandit groups", the usual term for supporters of the ousted Georgian president Zviad Gamsakhurdia.

The Black Sea region of Abkhazia, famous for its tobacco, tea and beaches, wants to break away from Georgia and effectively declared its independence last month, following a parliamentary vote.

But Georgia has dismissed its claim, arguing that ethnic Abkhazians represent only a quarter of the population and are outnumbered by Georgians.

On Saturday, Mr Eduard Shevardnadze, the Georgian leader and former Soviet foreign minister, declared Abkhazia to be "an integral part of Georgia" and said forces had been deployed to protect the region from "banditry".

Abkhazian leaders accused him of launching an invasion.

Bands of armed Abkhazians, a Caucasian ethnic group who are heavily outnumbered by Georgians even on Abkhazia's own territory, have fought fierce clashes against what they regard as Mr Shevardnadze's invading army.

Top Georgian and Abkhazian officials renewed talks on restoring order to the city yesterday as their forces withdrew to create a buffer zone of some 4km.

But isolated bursts of machine-gun fire rang out across the city yesterday, where Georgian patrols were stopping local cars in an apparent search for arms.

The Abkhazian dispute is the latest in a series of fierce ethnic battles in the former Soviet Union.

In an attempt to help contain such conflicts, seven members of the Commonwealth of Independent States signed an accord on Friday to establish a joint peace-keeping force.

Itar-Tass news agency reported that the specially trained force could only be deployed with the agreement of the council of CIS leaders and the various parties involved in a particular conflict. The agreement was signed by Russia, Kazakhstan, Uzbekistan, Kyrgystan, Tajikistan, Armenia and Moldova, although four other states may also join before next month's CIS summit.

This weekend, Mr Mikhail Gorbachev, the former president of the Soviet Union, warned of the dangers of massive upheaval unless the CIS member states developed stronger links.

Writing in Saturday's edition of La Stampa, the Turin daily newspaper, Mr Gorbachev commented: "If the Commonwealth fails truly to develop, then all will have to fight each other. All borders will become objects of dispute, all the parties involved will be in conflict. We will find ourselves faced with a situation of extreme danger, which could develop into a war of vast proportions," he said.

● Russia's air traffic controllers abandoned a brief strike yesterday in the face of public hostility and the "catastrophe" they claimed was threatened by the government calling in replacement military controllers.

Saturday's strike disrupted a few domestic flights to Moscow, St Petersburg, Omsk, and Volgograd, but international connections were largely unaffected.

All Russia's airports were operating normally last night. The controllers had been demanding a big pay rise.

NEWS IN BRIEF

Greece lifts controls on top commercial banks

A NEW Greek banking law, which incorporates the European Community's second banking directive, also lifts state controls on the country's main commercial banks, Kerin Hope writes in Athens.

The law abolished the Finance Ministry's right to act as proxy for Greek institutional shareholders who hold a controlling interest in National Bank and Commercial Bank. The two banks together control about 75 per cent of the Greek banking market.

The change will permit both institutions to operate independently of government for the first time. It is expected to boost the banks' competitiveness by allowing modernisation programmes to be speeded up.

The law also forbids banks to accrue interest on loans that remain unserviced for longer than 12 months, a normal accounting practice at state-controlled Greek banks.

From 1994, the inflationary practice of obliging the central bank to fund 10 per cent of the budget deficit will be abolished. Next year the Bank of Greece will finance only 5 per cent of the deficit, according to the law.

Spain holds illegal immigrants

Thirty-two Africans were detained yesterday after crossing the Strait of Gibraltar in a small craft, the latest incident involving the steady flow of illegal immigrants entering near the port of Algeçiras, AP reports.

Spanish officials said the detentions brought to 128 the number of illegal immigrants from Africa who have been taken into custody in the last week.

Thirty-one of those held were Ethiopians and one was from Liberia, officials said. Thousands of Africans, mainly from Morocco, are believed to have made the dangerous crossing since Spain, to comply with European Community requirements, imposed visa requirements more than a year ago on north Africans.

Three charged in waste scandal

Prosecutors charged three people yesterday in a scandal arising from illegal imports of German medical waste intercepted on their way to French dump sites, AP reports from Paris.

Mr Daniel Thiel, director of the Concorde International waste control firm, and Mr Michel Picard, head of the Sodex recycling firm, were ordered to be held in custody pending further investigation. The charges against Mr Thiel were not specified. Mr Picard was charged with violating dumping regulations.

A third person, Mr Jacques Peurreux, owner of an abandoned quarry near Neuilly-sur-Suize in eastern France, also faces unspecified charges.

Soldiers hurt in Sardinia attack

Six soldiers were lightly wounded in a hand grenade attack that investigators said was meant to intimidate an army brigade conducting a show of force against Sardinian kidnap and bandit gangs, AP reports from Lula, Sardinia.

Investigators said the type of grenade thrown at the soldiers of a mechanised brigade at the weekend had not been used by the army for four years but was available on the black market.

Bulldozers try to clear a path through mountains of rules

Andrew Baxter looks at the uphill struggle to shift the obstacles to cross-border sales of construction equipment

THE EUROPEAN MARKET

ASK a construction equipment man to pick out a German wheeled loader from a yard full of similar equipment and he will find one in less time than it takes to say "homologation".

The German wheeled loader will be the one with the wheel chocks screwed on, or close to, the steps up to the cab. Germany is the only country which requires chocks on its loaders for use in case of brake failure. "They're waiting for something that never happens," says one senior UK executive.

Little more than four months before the introduction of the European Single Market, progress towards a true single market in construction equipment matches that of an overloaded dumptruck struggling up a muddy hill. The engine is running, but the final destination is a long way off.

It is not just details such as wheel chocks and lighting specification differences which irritate the big construction equipment producers, and add to production costs. "We've got machines lying around in the UK which could easily be sold in Germany if they were adapted to German standards," says Dr Frithjof Timm, president of Komatsu Europe.

Producers, in fact, do regularly bring unsold equipment back to their factories to refit them for a different European market, but this is both inefficient and demoralising, says Mr Tuve Johannesson, president and chief executive of Brussels-based VME Group.

Unfortunately, though, some national regulations defy minor re-engineering. On Italian roads, for example, there is a 2.5m width restriction for construction equipment: consequently, it can be a lot easier for an Italian producer to sell its equipment in the UK than vice versa, says Mr David Barrell, director-general of the UK's Federation of Manufacturers of Construction Equipment & Cranes.

Behind the complexity lies the thorny issue of homologation – modifying a piece of construction equipment to conform to national legal and market requirements without changing the overall design.

These requirements are often more exacting than the two main recognised sets of standards – the SAE (Society of Automotive Engineers) and ISO (International Organisation of Standardisation) standards.

Multinational producers claim, with some justification, that the hidden purpose of homologation has been to protect national industries and markets from foreign encroachment. It has thus contributed to the chronic overcapacity, fragmentation and duplication of effort among European suppliers.

Cutting through the morass of conflicting national regulations and specifications is, of course, a key aim of the the Single Market programme, and a start has been made. The EC's basic Machinery Directive was adopted in 1989, and subsequently amended to include mobile machinery.

Even at this late stage, discussions are still continuing on a second amendment related to lifting equipment. Agreement could be reached by the end of the year for adoption in May or June next year, completing the "Machines Package".

For the main equipment suppliers, the directives are fine – as far as they go. Caterpillar, the world's largest producer, is pleased by the progress made, and notes particularly that the standards backing up the directives are clearly based on the ISO norms.

But there are problems. Apart from some unease in the industry over the pace at which national governments will introduce the necessary enabling legislation, there is concern that a mandatory directive, which is deliberately framed in general terms, is backed up only by voluntary standards. These are being drawn up under the aegis of CEN, the European standardisation organisation.

This raises a serious question about the enforcement of the directive. The precedents are not promising: one supplier says an EC directive on noise omission from certain types of construction equipment, introduced in January 1989, virtually outlawed a particularly irritating French homologation requirement, but there is no evidence of the directive being policed.

The biggest problem with the Machinery Directive, however, is its scope. It was designed to concentrate on safety at work, with the result that what the industry calls "jobside" specifications are covered, while "road-side" rules are not.

Although there is some frustration, especially in the UK, that the two elements were not considered simultaneously, the inclusion of road regulations would undoubtedly have caused further delays, because of the need to consult many different levels of highway authorities.

The result, therefore, is that – despite pushing by the UK – only preliminary work has been carried out at EC level on harmonising road regulations on widths, weights and specification details. "The rest of the loaf has yet to be worked on," says Caterpillar.

With most observers predicting slow progress towards harmonisation of road standards, the implications for the industry are significant. Germany is generally regarded as the toughest market for homologation, with every detail of a machine tested by the TUV road safety body for compliance, from the reflector plates to engine output.

But reunification has transformed Germany into a market for an expected 46 per cent of European construction equipment sales this year, up from a stagnant 18 per cent in 1989, according to a Corporate Intelligence Group forecast last week.

Importers to Germany have always suspected their machines are scrutinised for road regulation compliance rather more closely than those of home-produced rivals. Having a manufacturing presence in Germany has never been more important.

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Islamabad impatient with Afghan rebel it backed

Pakistan PM cools towards Hekmatyar

By Alexander Nicoll and Farhan Bokhari in Islamabad

MR Nawaz Sharif, Pakistan's prime minister, yesterday strongly criticised Mr Gulbuddin Hekmatyar, the Mujahideen leader Pakistan supported during the 13-year Afghan civil war.

Pakistan's growing impatience with Mr Hekmatyar is the result of heavy fighting in the past week around Kabul, in which hundreds of civilians are reported killed. The Red Cross hospital alone said it admitted 604 people in five days, of whom 85 had died.

Mr Hekmatyar's forces have encircled the city and closed the airport and Mr Hekmatyar yesterday vowed to continue his attacks on the Afghan capital until his demands are met.

Mr Sharif said in an interview with the Financial Times: "I think Mr Hekmatyar should abide by the commitment that he has given. He should not fight the government. Why should he fight? Afghanistan stands liberated. Who is he fighting against?"

The recent violence, Mr Sharif said, was a violation of the April Peshawar accord, which followed the downfall of the Soviet-backed President Najibullah. Under the agreement, designed to end the civil war, Mr Hekmatyar agreed with other rebel leaders, including Mr Ahmad Shah Masoud, on sharing power in an interim government and holding elections within six months.

It emerged yesterday that Afghan President Burhanuddin Rabbani had dismissed Mr Ustad Farid, the prime minister who was Mr Hekmatyar's most senior representative in the interim government.

Pakistani government officials said that Islamabad had taken steps to cut off supplies of food and other essential goods going over the border into Afghanistan, since these supplies were mainly going to Mr Hekmatyar.

One Pakistani official said: "Hekmatyar is the man responsible. He needs to be brought back to his senses."

However, Islamabad is also discussing with Mr Rabbani how supplies can be sent into Afghanistan without aiding Mr Hekmatyar, and has offered to assist in bringing the rival factions together for discussions.

Officials fear that a worsening of the conflict could lead to a break-up of Afghanistan. Pakistan wants to prevent this, partly because stability there is crucial for Islamabad's policy of developing political and trade links with the new central Asian republics.

Pakistan's frustration with Mr Hekmatyar is significant because during the Afghan war it provided him with large amounts of arms and other support. It also helped Mr Masoud, but he largely relied on weapons captured from Soviet and Afghan troops. Most guerrilla groups maintained offices in Pakistan as their main links to the outside world.

Despite the government's attempt to dissociate itself from Mr Hekmatyar, however, there remain elements within Pakistan sympathetic to the guerrilla leader who feel the other parties to the Peshawar accord have not honoured their commitments to him.

They remain suspicious of the role being played by General Rashid Dostam, the militia leader who was previously allied with Mr Najibullah. His switch to Mr Masoud contributed significantly to Najibullah's fall, but his militia has since aroused resentment among Mujahideen.

Mr Hekmatyar is thought to be attempting to press his case by force because time is running out. The winter snows, due in October, would temporarily weaken his position because his forces are mainly camped in the hills.

● Most UN staff withdrew from the Afghan capital as more rockets pounded residential areas over the weekend, Reuter adds.

Only seven staff remained in the city after three carloads headed towards the northern town of Mazar-i-Sharif, UN officials said.

Tens of thousands of Afghans were fleeing north. Several thousand who tried to head east have taken shelter instead in the Pul-i-Charkhi prison on the city outskirts.

Diplomats were reported to have met Mr Rabbani to discuss evacuating foreigners from Kabul but said they were waiting for guarantees of safety before evacuating. About 200 embassy personnel want to leave the city after two Russian embassy staff were killed last week when five rockets hit the embassy in the south of the city. Embassy spokesman Zmair Kaboulov said the compound had been targeted deliberately.

Mr Rabbani warned diplomats they could become a target for rockets and some embassies said they were considering closing.

National Organisation for Women president Pat Ireland puts a court order into the pocket of anti-abortion activist Keith Tucci outside a Houston clinic. The order forbids anti-abortion campaigners – whose cause will be espoused in the Republican agenda – to approach the clinic.

Turn right for the Astrodome

Jurek Martin previews this week's Republican party convention in Houston

THE Houston Astros, a baseball team of limited talent, are having a miserable season. Adding insult to the injury of being nearly last in their league, they have been evicted from their own stadium, the Astrodome, for nearly a month because the Republican party is staging its quadrennial bash there, just down the road from the hotel room which President George Bush calls home for voter registration purposes.

That hotel, the Houstonian, is also a sad story, operating only under the protection of bankruptcy laws. Indeed, Houston generally is a bit of a mess, unrecovered from the recession that so damaged its biggest industry, oil, hit by rising crime and recently in the grip of the sort of heatwave that turns tarmac back into crude by midday.

These are not the most auspicious surroundings for a party which needs some auspicious moments this week. By contrast, the Democrats found New York last month at its most benign and, thus encouraged, came out of the city on a unified bus and with a ticket driving away to undreamt-of leads in every known form of polling measurement.

It is not easy to adjust to this political role reversal. Democratic conventions used to be fun, because they were disorganised, while the Republicans orchestrated theirs to the last nano-second, easing such dissent as existed under the blue rinses and funny hats of the delegates quietly into oblivion.

Now, suddenly, it is the Republican party which portrays itself as "the big tent", tolerant of an unprecedented diversity of opinion, while depicting the Democrats as the imposers of the sort of discipline that used to be associated with the KGB.

The reality is that the Republicans must get their act together this week. The twin tasks are to bash the Clinton-Gore ticket at every turn, but in ways that strike home to the wider electorate and not only to the committed; and to give President George Bush the sort of "bounce" which so lifted Governor Bill Clinton a month ago.

Yet this is going to be done mostly without the ever-present direction of the new bandleader, Mr James Baker, still secretary of state until next Sunday, who may not be much in evidence at Houston. The convention score has, in effect, been composed mostly by those very people found so wanting that Mr Baker's return was deemed necessary by Mr Bush.

The party platform, for example, constitutes a very conservative wish list, the unfinished agenda of the Reagan era. This reflects the influence of the activists, almost all of the right and many of them nakedly distrustful of Mr Bush, not to mention Mr Baker.

Only with difficulty were explicit criticisms of Mr Bush's sanctioning of the 1990 tax increase excised. As it stands the economic policy recommendations of the draft document emphasising tax reductions contain most, if not all, the right wing's demands.

The social policy agenda was best described by a leader of the Christian Coalition, representing fundamentalists: "The language on Aids, education, abortion, homosexual rights, prayer in schools and taxes is all being strengthened so we can telegraph a message to the core constituency that this is still their party."

It is unlikely that Mr Baker will pay too much heed to the platform when he is in control, though if the battle for the presidency is to be fought on middle ground, as the Democrats expect, it does not help to be stuck with too much baggage from either far left or right.

But to go into battle without the right – who are, like liberal Democrats, the enthusiasts, the activists, the letter stuffers of the party – would be a handicap. So Vice President Dan Quayle stays on the ticket and speaking room has been found this week for Mr Jack Kemp, the housing secretary, and Mr Patrick Buchanan, the erstwhile candidate for the nomination, just as Mr Clinton let the Rev Jesse Jackson and Mr Jerry Brown have their say.

The worst handicap is to go into battle with an unpopular leader, and in this respect the resurrection of Mr Bush is easily the most important task of the week. This can be done both by tearing Mr Clinton down and by building Mr Bush up. The same can, and will, be done to their respective wives.

There has been a sharp negative edge to the assaults on the Clintons in the last two weeks, especially as voiced by Ms Mary Matalin, the campaign's political director, and by Mr Rich Bond, the national party chairman. What they have seen as good rough'n'tough partisan politics seems sometimes to have sat ill with Mr Bush, though he has never explicitly disowned them. More to the point, they have neither rattled Mr Clinton nor improved Mr Bush's standing.

Mr Baker undoubtedly will, in time, refine this, creating more of a balance between attacking Mr Clinton for his inexperience and the presumed cost and impracticality of some of his policy proposals, contrasting both with Mr Bush's record, especially in foreign policy. It is certain that this week will be full of the Gulf war and the president's role in presiding over the collapse of that ultimate Republican demon, Soviet communism.

Where Mr Baker's influence might first be apparent is in the content of Mr Bush's acceptance speech on Thursday night. While too much can be made of one address – Mr Clinton gave an indifferent one in New York, but was not hurt by it – the president's matters because it gives him the opportunity to lay out what he would do with a second term. This is precisely what the electorate has been waiting to hear and it is why Mr Bush said he was bringing Mr Baker back to the White House.

The president enters this week knowing he is behind. The current polling gap is comparable to the 23-24 point margins by which Nixon beat McGovern in 1972 and Johnson beat Goldwater in 1964. There is no way that Mr Bush and Mr Clinton are going to be separated by as much in November, but what the incumbent needs from Houston is more than its miserable baseball team can offer.

If he wants local inspiration, he might try Nasa's Johnson space centre, accustomed as it is to proclaiming "we have lift-off." He will have to ignore the fact that it is named after a Democrat.

NEWS IN BRIEF

Taiwan's foreign reserves at record

TAIWAN'S foreign currency reserves, the largest in the world, surged to a record $86.6bn (£45.3bn) at the end of June, Reuter reports from Taipei.

The reserves rose from their previous record of $84.6bn in May and $72.2bn in June 1991, the central bank reported. It attributed the rise mainly to recent appreciation of the D-Mark and yen against the dollar, which inflates the value of the reserves when expressed in dollars.

Taiwan holds about 55 per cent of the reserves in the form of securities issued by foreign governments and institutions, and the rest as bank deposits. It was the biggest Asian buyer of US government securities in the first quarter of 1992.

The reserves have drawn fire from the US, which runs a trade deficit with Taiwan. Washington said in May their huge size indicated Taiwan was manipulating its currency to gain a trade advantage, a charge which Taipei denied.

BCCI reopens in Bangladesh

Bangladeshi prime minister Begum Khaleda Zia reopened the collapsed Bank of Credit and Commerce International (BCCI) in Bangladesh yesterday under a new name, assuring depositors their money would be safe, Reuter reports from Dhaka.

"This financial institution is fully secured," she said as she opened the Eastern Bank, which incorporated all the assets and liabilities of the former Bangladeshi branch of BCCI. "We shall not let any bank in the country fall in crisis," she said.

Bangladesh Bank, the country's central bank, approved the reopening of the collapsed BCCI after the government had received clearance from the bank's main shareholders in the United Arab Emirates.

Manila police chief resigns

Philippine police chief Cesar Nazareno resigned yesterday in a widening scandal over the alleged involvement of senior officers in illegal gambling, kidnapping and other crimes, agencies report from Manila. Mr Nazareno, head of the country's 100,000-strong police force, was the second high official in a week to leave the government.

President Fidel Ramos meanwhile shrugged off reports of bitter infighting in his cabinet. He took his ministers on a cruise around Manila Bay in an apparent bid to quash reports of schisms between power blocs in his seven-week-old government.

Go-ahead for China markets

China will go on developing nascent stock markets despite investor riots in the southern city of Shenzhen, a Chinese government minister said yesterday, Reuter reports from Singapore.

Authorities closed the Shenzhen Stock Exchange last week after a rush for shares prompted unrest, raising concern that China might give up its stock market venture.

"The incident will not change our policy, we'll go on developing our stock markets," said Li Lanqing, minister for foreign economic relations and trade.

"The incident will give Shenzhen a good lesson. I'm sure they will avoid such incidents in future," he said. He added that China had no plans to open stock exchanges in other Chinese cities and provinces at the moment.

Call to curb Kenya crime

The International Federation of Tour Operators (Ifto) is to ask Kenya to establish a tourist police force in an attempt to reduce crime against visitors, Michael Skapinker writes.

The call follows a number of widely publicised attacks on tourists in Kenya which, tour operators say, have led to a fall in bookings.

Ifto, which represents tour operators in 17 countries, hopes to send a delegation to Kenya at the end of this month to discuss improving safety for tourists. Ifto will also ask for stricter licensing of drivers involved in the tourist industry.

Angolan parties register

The former foes in Angola's recently ended civil war are among 18 political parties registered to contest the country's first free elections next month, AP reports from Luanda.

The elections result from peace accords last year that ended the 16-year war between the leftist government and the US-backed National Union for the Total Independence of Angola (Unita). Unita and the ruling Popular Movement for the Liberation of Angola (MPLA) party are expected to be the leading contenders in the September 29-30 election.

Talks on Japanese economy

By Gordon Cramb in Tokyo

A WEEKEND meeting between Mr Kiichi Miyazawa, the Japanese prime minister, and Mr Gaishi Hiraiwa, chairman of the Keidanren business federation, produced no new proposals to stem economic slowdown.

Mr Miyazawa reiterated that an autumn package aimed at stimulating the economy would lay stress on reviving demand for property and equities. He promised to study ways to reduce the tax burden on such investments.

At their talks on Saturday Mr Hiraiwa urged a government commitment to some Y6,000bn to Y7,000bn (£24.8bn-£29bn) in additional public works in the current fiscal year which ends next March – sums around the average of expectations.

The outlay would encompass government purchases of land needed for state projects. Mr Hiraiwa said such lots should be bought in part from financial institutions, which would be able to reduce bad loans by selling land they had been holding as collateral.

Mr Hiraiwa called for the stock market to be made more attractive to small investors through expansion in employee stock ownership and a cut in the minimum trading unit on the Tokyo stock exchange.

Rao urges freeze on discussing 'divisive' issues

By Shiraz Sidhva in New Delhi

THE Indian prime minister, Mr P.V. Narasimha Rao, has urged all political parties to agree to a "three-year moratorium on divisive issues" in the interests of the "co-ordinated development" of the country.

In an Independence Day address, Mr Rao was in effect asking for a freeze on any debate on the key issues confronting his government. Referring to the Ayodhya temple dispute which threatened his government's authority in July, Mr Rao suggested that a grand Hindu temple be constructed without destroying the 16th-century mosque, built on a site claimed by Hindu militants to be the birthplace of Lord Ram.

On Kashmir, Mr Rao said the state was an indivisible part of India, and "no force on earth" could separate the two.

The prime minister reiterated his government's commitment to punish the guilty in the Bombay financial scandal, and to see through economic reforms.

Opposition parties have not responded favourably to his unusual suggestion that all "dispute and dissention" be shelved for three years.

Mr Lal Krishen Advani, the leader of the right-wing Hindu Bharatiya Janata party (BJP), yesterday opposed the move to stop public debate on controversial issues, and demanded that the prime minister clarify what he meant by a "moratorium".

"Let them have a moratorium on violence, terrorism, or political corruption," said the BJP leader, who is head of the opposition in parliament. He said the prime minister's suggestion would mean a breakdown of democracy.

Mr Somnath Chatterjee, leader of the Communist party (Marxist), described the prime minister's call as "an excuse" to prevent people from raising uncomfortable issues.

Mutual suspicion across the causeway

Kieran Cooke charts the climate of mistrust between Malaysia and neighbouring Singapore

SINGAPORE'S parliament this month approved the construction of a second bridge across the narrow stretch of water separating Singapore from the state of Johor in Malaysia.

The S$169m (£59m) project, already approved by Malaysia, is due for completion in early 1995 and marks another step towards closer economic links between the two countries. But news of the bridge comes at a time of tense and difficult relations between them.

The immediate and most visible argument between Singapore and Malaysia concerns a bleak island about 50km north-east of Singapore. Administered by Singapore for more than 100 years, the island sits on an important shipping lane and has a lighthouse and radar station. The Singaporeans call the guano-covered rock by its Portuguese name, Pedra Branca. To Malaysia, it is Batu Puteh.

In the early 1970s Malaysia lodged a claim to the island. This year a group of Malaysians from Johor made an abortive attempt to plant a flag on it. A shouting match developed between the two countries after a series of tit-for-tat arrests of fishermen. The Malaysians accused Singapore of being high-handed and arrogant: there was talk in Singapore of Singaporeans being maltreated in Johor. An MP of the governing People's Action party in Singapore advised his compatriots against visiting Malaysia.

While senior government officials on both sides have acted to calm things down, other issues have raised hackles. In the latest incident, Malaysians were angered by a guide book published in Singapore and depicting the Malaysian town of Johor Bahru, just across the causeway from Singapore, as a sexual pleasure haunt, full of "love hotels". The book was mistaken, they said. Furthermore, Singapore was allowing writers licence abroad it would never permit at home. The publishers withdrew the book.

Underlying these quarrels, some petty, some more substantial, are broader problems of history and race. In the early 1960s, Singapore was part of the post-colonial Malaysian Federation. Malaysia is more than 50 per cent Malay but has a large Chinese minority. Singapore is 76 per cent Chinese but 15 per cent of its 2.7m people are Malay.

Even before the days of the federation, Mr Lee Kuan Yew, the former Singaporean prime minister, had campaigned for "A Malaysian Malaysia, not a Malay Malaysia". In turn the Malays, already fearful of Chinese economic domination, saw the rise of a Chinese city state – "A Chinese nut in a Malay nutcracker". Malaysia's rulers warned of bloodshed. Singapore left the federation after less than two years.

Since then the two countries have gone their own ways. Malaysia is governed by Malays: the United Malays National Organisation (UMNO) has had uninterrupted control of government for nearly 20 years. Singapore, though its politics are not divided on such sharply racial lines as in Malaysia, is run predominantly by the Chinese.

Each country is acutely sensitive to issues of race. Though only a few hundred yards of water separates them, neither country allows the sale of each other's newspapers.

There are other restrictions. The many thousands of Singaporeans who travel to Malaysia each week have to pay their government an exit tax. Singapore also insists motorists have at least half a tank of petrol, lest they take advantage of cheaper prices in Malaysia.

Singapore recently caused a furore in Malaysia when it introduced a daily S$20 charge for Malaysian vehicles travelling into the island republic.

Such measures seem to fly in the face of the increasing economic interdependence between Singapore and the south of Malaysia. Singapore imports water and natural gas from Johor. Many Singaporean companies have their main manufacturing base across the causeway. Over the past 10 years Singaporean companies have invested nearly M$1.5bn (£312m) in 540 projects in the state.

To some in Malaysia this is evidence of creeping Singaporean – that is, Chinese – economic control. "We must guard against Johor becoming Singapore's Kowloon," says one senior Malaysian official.

Singapore maintains what is generally perceived to be one of the best equipped and trained military machines in the Asian region. It spends 6 per cent of its GDP each year on defence, one of the highest ratios in the world. Though a fraction the size of its neighbours, Singapore has a bigger air force than Malaysia and Indonesia combined. Military analysts are also impressed with the Singapore army's more than 300 light tanks. Government advertising often reminds people of the fate of Kuwait and other small states.

By contrast, Malaysia's armed forces have been starved of funds and badly equipped. In what seems in part a reaction to Singapore's defence build-up, Malaysia has recently embarked on a multi-million dollar defence procurement programme, much of the equipment being supplied by Britain.

Mr Musa Hitam, once a contender for power in Malaysia and a former special envoy to the UN, is concerned about what he sees as a lack of sensitivity on the part of an up-and-coming generation of leaders on both sides of the causeway. "I worry when I see the new leaders in Singapore and Malaysia responding to events in both countries not in the manner handled by the old guard. If this level of tolerance is lowered, we are going to have problems."

Tories face spilts on EC and economy

By Philip Stephens, Political Editor

The unease among Tory party activists about the depth of the economic recession has been confirmed in a series of critical motions tabled for debate at October's party conference.

But senior party officials are drawing comfort from assurances by Lady Thatcher that she has no plans to use the conference to launch a broadside on her successor's approach to the economy and Europe.

The draft agenda for the Brighton conference, leaked at the weekend, contains several dozen motions from constituency activists which are openly or implicitly critical of the government's handling of the economy and Europe.

Most of economic motions back the government's determination to defeat inflation, but there are also are calls for the withdrawal of sterling from the European exchange rate mechanism to allow interest rates to be cut sharply.

A small number of motions suggest outright rejection of European union in the wake of the Danish referendum, backing Lady Thatcher's call for a similar plebiscite in Britain.

The debate on Europe will be subsumed in a much wider discussion of foreign policy to ensure that Mr Douglas Hurd, the foreign secretary, cannot be "ambushed" by a vocal minority of Euro-sceptics.

Privatisation policy could net £8bn

By David Owen

THE GOVERNMENT is likely to be able to raise more than the £8bn budgeted for privatisation proceeds, giving it scope to consider raising additional funds to help curb its rising deficit.

A combination of cash received and funds due from sales that have taken place is set to yield £6.74bn of the targeted £8bn for 1992/93.

A further £1bn is to be raised from the sale of government loans made to privatised utility companies, including BT and the electricity sector, taking it to within £250m of the target figure.

This could be covered by the repayment of part of a further £650m tranche of electricity company debt. The government has the option of taking this on to its books either in 1992/93 or 1993/94, providing it with a degree of flexibility in its forward planning.

The Treasury is not thought to be pushing for extra privatisation cash this year, over and above the budgeted £8bn. But pressure to drum up more money could mount if the public sector borrowing requirement moves too far above the £28bn forecast.

The government will not officially revise this forecast ahead of the autumn statement in November, but a deficit of well over £30bn is widely expected because of the severity of the recession and its impact on public spending and tax revenues.

The Treasury would be reluctant to take privatisation proceeds that would otherwise accrue in future years, simply to maximise the present year's takings. But analysis of debt and equity assets still owned by the government in privatised companies suggests it could comfortably realise the £11bn of proceeds budgeted for during the next two financial years.

The government's most valuable stake in a private sector company is its 22 per cent of BT, which could raise more than £4bn.

The completion of the £19bn budgeted programme over the three years commencing 1992-93 – equivalent to the projected budget of the Home Office over the period – would bring to more than £60bn the sum raised since the the first year of the Thatcher administration in 1979-80, when disposals totalled £377m.

Family silver prepared for final auction

THERE IS not much family silver left in the cupboard. Excluding British Coal and British Rail, which are earmarked for sale, and the Post Office, whose status is under review, the Treasury's list of nationalised industries comprises just six names.

These range from the probably unsellable Nuclear Electric to Caledonian MacBrayne, the shipping line whose objective is to "provide cost-effective lifeline services to remote island communities." The era of privatisation in Britain is drawing to a close.

But it is surprising how much the government still has locked away for a rainy day. An analysis of its remaining debt and equity holdings suggests it should have little difficulty raising the £19bn in privatisation proceeds it has budgeted for the three years commencing 1992-93.

This would bring to more than £60bn the sum raised since the experiment got under way with £377m of disposals in the first year of the Thatcher administration in 1979-80.

The conclusion that the £19bn is within easy grasp assumes the government would be prepared to sell its remaining stakes in British Telecommunications and the two electricity generating companies by April 1995. But it does not take into account any proceeds from the latest batch of proposed privatisations.

How then might the £19bn be raised?

Just four months into the three-year period in question, as much as £3.6bn is already in the kitty. This has been generated as follows: £835m from the second instalment payment relating to the sale of the Scottish electricity companies; £1.915bn from the second BT instalment; £350m from the disposal of Northern Ireland Electricity; and £350m from the repayment of the last tranche of British Gas debt, with the balance derived from other odds and ends.

A further £3.975bn will accrue by 1993-94 from more scheduled instalment payments on share sales completed some time ago. The payments in question are: £1.465bn due in September from the sale of the regional electricity companies; £1.675bn due next March from BT; and £835m due a month later from the disposal of the Scottish electricity companies.

Another £650m relating to the repayment of debt owed to the government by the recently privatised electricity industry will be credited to its account at the latest by 1993-94.

The government also owns a £4bn-plus portfolio of marketable debt that is owed by the privatised utility companies. The loans range in size from £350m to less than £50m; maturities stretch to the year 2006. About half of the debt is in the form of BT loan stock which yielded about £450m of income over the seven years to 1990-91.

Last month Baring Brothers, the merchant bank, was appointed to advise the Treasury on how most advantageously to sell its loans, with the aim of raising about £1bn in this financial year.

Finally, the government still owns more than £7bn in ordinary shareholdings in private-sector companies (see table).

By far the most valuable stake is the residual 22 per cent holding in BT, which alone would raise well over £4bn if put on the block. The roughly 40 per cent interests in National Power and PowerGen, the two electricity generating companies, are together worth just under £2bn.

All of this is not to suggest that meeting that £19bn target – equivalent to the projected budget of Mr Kenneth Clarke's Home Office over the three years to 1994-95 – will be entirely plain sailing.

The recent stock market slide has wiped more than £500m off the value of the government's ordinary share holdings in the space of 11 weeks, with its 1.9 per cent stake in British Petroleum now worth more than 30 per cent less than in late-May.

Meanwhile, the attempted sale of the marketable debt portfolio has been described as one of the most teasing corporate puzzles since the privatisation programme was hatched.

If sold direct to investors, the high-yielding paper would need to be priced well above face value – a fact calculated to put off many UK buyers because of the tax implications of buying bonds above par.

David Owen

Banks suffer as international economy weakens

By Andrew Jack

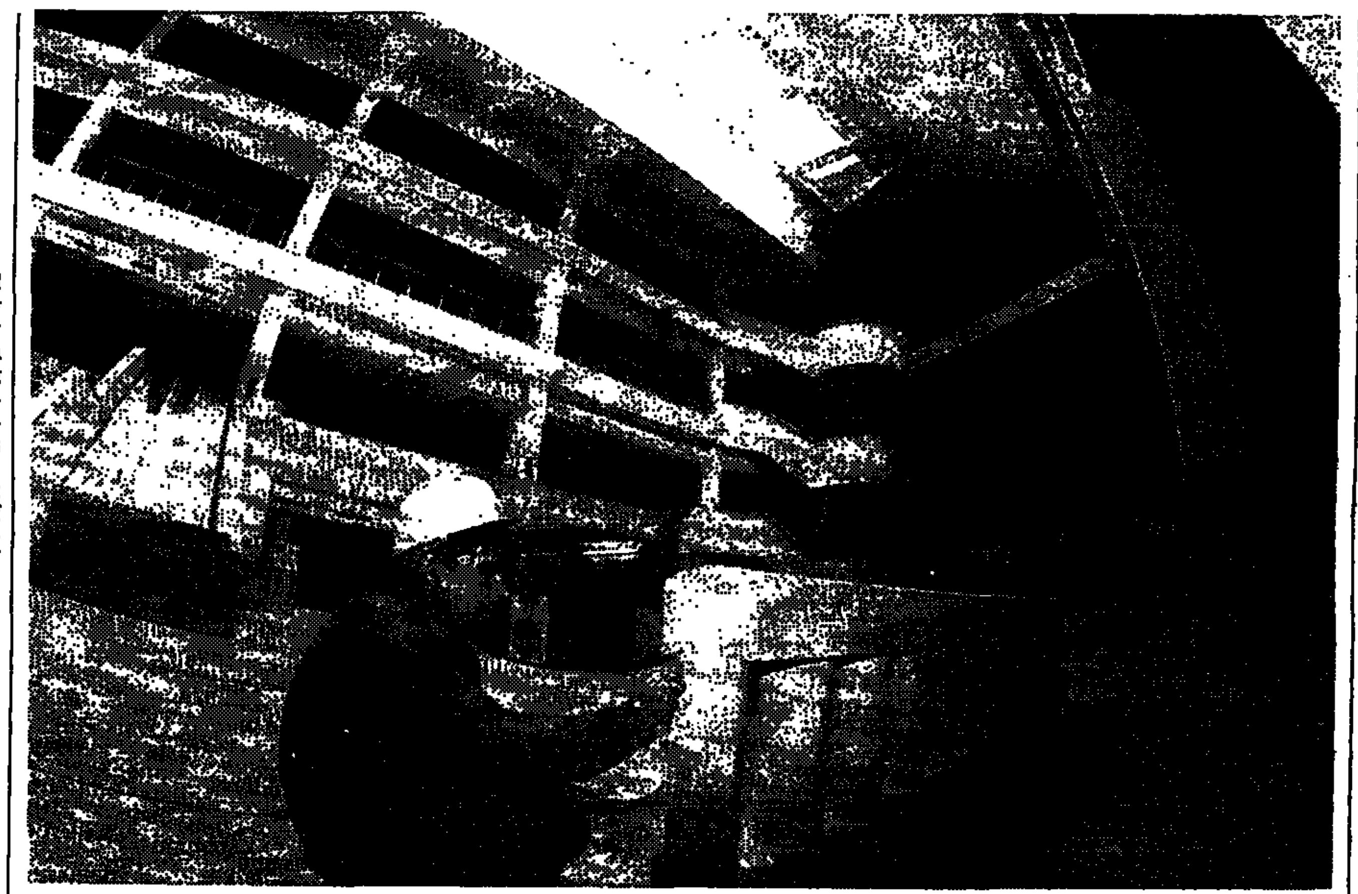
LEADING international banks suffered from weakening profitability and worsening asset quality during the 1980s, according to an article in the Bank of England's quarterly bulletin published today.

The banks lent money to less developed countries and the property sector and became involved in highly-leveraged transactions based on expectations that benign economic conditions would continue, it argues.

The bulletin suggests adjustments to new deregulation and greater competition may have led to "misjudgments in the assessment and pricing of risk". It adds, however, that it is very difficult to compare levels of international profitability because of differences in accounting and taxation.

The Bank of England paper lists four moves by the banks made in response to increased economic pressures:

- improved capitalisation and better risk-pricing; driven by the 1988 Basle capital adequacy guidelines, banks have taken measures such as increasing debt and equity issues, borrowing on a wider range of markets, and increasing spreads and fees;
- international retrenchment: factors including the impact of third world debt and the deterioration in overseas markets of corporate and property loan portfolios have driven many banks to contract their foreign operations with disposals and a reduction in lending;
- a shift to non-interest earnings; greater involvement in fee-based retail and securities business, driven by competition from capital markets and non-banking institutions;
- cost control: cutbacks in staff and branches, the introduction of new technology and mergers and acquisitions over the last two years have contributed to improvement in earnings.



Work is underway on the final phase of the £450m new British Library. This includes the new reading room and the building's centrepiece, a six-storey, glass-walled tower which will house the King George III collection of books and manuscripts. The project, under contruction for more than 10 years ago, will not be completed until 1996. The new British Library will allow the public access to 12m volumes. It is expected to attract more than 1m visitors each year.

Britain in brief

Slump looms for small businesses

THE recession has turned into a slump and will continue to beset the British economy for at least another two years, according to the Federation of Small Businesses.

The federation's gloomy prediction follows a telephone poll, which it conducted last week among 350 small companies around the UK and is accompanied by a warning of impending "catastrophe" in the small business sector.

Almost half the companies contacted saw no improvement in projected turnover levels before the end of 1994.

New Lloyd's chief named

Mr Peter Middleton, chief executive of Thomas Cook, the travel subsidiary recently sold by Midland Bank, is expected to be appointed as the new chief executive of Lloyd's of London, the insurance market, in the next few weeks.

The role of the chief executive is being fundamentally restructured to focus on "business development" in line with recommendations from both the Lloyd's task force report issued in January and in the report chaired by Sir Jeremy Morse released at the start of July.

Scepticism on accounts

Less than one-fifth of analysts and two-fifths of shareholders believe annual reports give a "true and fair view" of a company, a new survey has shown.

While 80 per cent of finance directors believe in the accounts, even 60 per cent of investor relations consultants – who are often intimately involved in the preparation of the reports – were not confident that they fairly represent a company's financial position. The survey of more than 300 finance directors, analysts, shareholders and investor relations staff was conducted for McBride's, a design consultancy firm, in April and May this year.

Unions urge EC initiative

The Trades Union Congress has appealed to Mrs Gillian Shephard, UK employment secretary, to use Britain's current presidency of the European Community to call an emergency EC summit to discuss ways of tackling the Community's growing jobs crisis.

Mr Norman Willis, TUC general secretary, says in a letter to Mrs Shephard that unemployment is now the EC's dominant domestic concern but there is no forum where it can be discussed between governments and the social partners (unions and management).

Revolution in engineering

There has been "a quiet revolution" in Britain's engineering sector which leaves it well placed to take advantage of any upturn in the economy, according to a report published today by Albert E Sharp, the stockbroker. It says UK engineering companies are now unquestionably more competitive than at any time in the last 20 years and are capable of performing strongly in world markets.

Parcels sale to be co-ordinated

The government is considering co-ordinating aspects of the sale of the two parcels businesses that it has decided to privatise.

Mr Michael Heseltine, trade and industry secretary, and Mr John MacGregor, transport secretary, are to discuss the timing of the disposals, which will transfer both Parcelforce, the Post Office's delivery service, and British Rail's parcels division to the private sector.

Tec spending needs assessed

Chairmen of the 82 Training and Enterprise Councils are being canvassed individually by the government over their spending priorities should there be large-scale cuts in their budgets next year.

The 10 regional directors of the Department of Employment's Training, Enterprise and Education Department (Teed) are seeking to gain the fullest possible brief on Tecs' response to possible cuts.

Brink's-Mat jury reconvene

The jury in the Brink's-Mat trial will reconvene today to consider verdicts on two people accused of laundering proceeds from the £14m bullion robbery.

Two of the accused – Gordon Parry and Patrick Clark – were convicted at the weekend. Parry, was convicted of 10 charges of handling but cleared of an 11th. Clark was convicted of conspiracy to handle. Clark's son Stephen was acquitted of taking part in the plot to launder profits from the 1983 robbery.

The jury has yet to reach verdicts on tobacconist Jean Savage and taxi firm owner Brian Perry. All the defendants had denied charges of handling and conspiracy to handle proceeds from the raid.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

	UNITED STATES					JAPAN				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−159.7	0.7623	100.0	230.8	76.0	64.5	180.50	100.0
1986	230.9	−140.6	−150.0	0.9836	80.2	211.1	96.2	86.9	165.11	124.4
1987	220.2	−131.8	−141.6	1.1541	70.3	197.3	86.1	75.5	166.58	133.2
1988	272.5	−100.2	−107.0	1.1833	66.0	219.8	80.7	66.6	151.51	147.3
1989	330.2	−99.3	−91.8	1.1017	69.4	245.3	70.5	52.4	151.87	141.9
1990	309.0	−79.3	−70.9	1.2745	65.1	220.0	50.1	28.3	183.94	126.9
1991	340.9	−52.3	−3.0	1.2391	64.5	247.5	83.2	63.0	166.44	137.0
3rd qtr.1991	89.4	−16.0	−9.4	1.1732	66.5	65.8	23.2	16.6	159.94	138.5
4th qtr.1991	87.8	−12.4	−5.7	1.2548	63.3	62.9	23.7	18.2	162.38	141.2
1st qtr.1992	87.3	−11.6	−4.2	1.2623	63.5	64.9	25.9	22.6	162.21	142.2
2nd qtr.1992				1.2717	63.6	63.1	25.4	22.5	165.61	129.9
July 1991	30.6	−4.9	n.a.	1.1509	67.6	21.8	7.3	4.3	158.54	138.8
August	29.3	−5.6	n.a.	1.1758	66.6	21.8	7.9	5.9	160.87	138.2
September	29.6	−5.4	n.a	1.1929	65.3	22.1	7.9	6.4	160.42	138.7
October	30.5	−4.9	n.a.	1.2082	64.6	21.8	8.0	5.6	157.77	142.4
November	29.6	−3.3	n.a.	1.2568	63.2	20.9	7.4	5.9	162.99	140.9
December	27.7	−4.3	n.a.	1.2993	62.0	20.3	8.3	6.6	166.37	140.2
January 1992	27.4	−4.5	n.a.	1.2926	61.9	21.4	7.9	5.6	161.84	143.8
February	29.8	−2.6	n.a	1.2634	63.4	21.6	9.3	7.6	161.18	143.3
March	30.1	−4.5	n.a.	1.2309	65.1	21.9	8.7	9.5	163.61	139.6
April	29.3	−5.7	n.a.	1.2436	64.8	20.9	7.5	7.5	165.92	139.2
May	28.0	−5.8	n.a.	1.2676	63.8	20.9	9.4	8.6	165.57	130.7
June			n.a.	1.3039	62.3	21.3	8.5	6.4	165.32	141.7

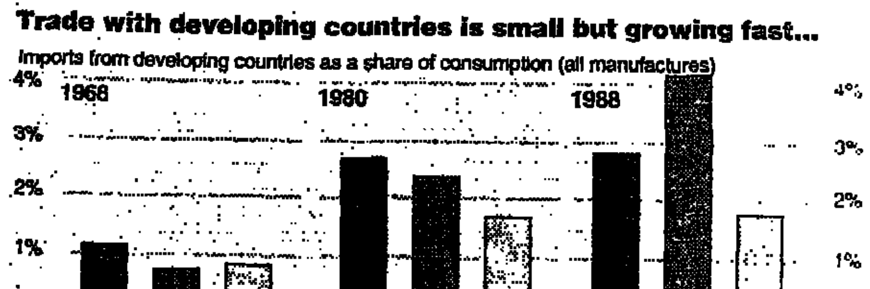
	GERMANY					FRANCE				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.6*	*33.3*	*21.7*	*2.2260*	*100.0*	133.4	−3.6	−0.2	6.7942	100.0
1986	*248.6*	*53.5*	*40.3*	*2.1279*	*108.8*	127.1	0.0	3.0	6.7946	102.8
1987	*254.3*	*56.7*	*39.8*	*2.0710*	*115.3*	128.3	−4.6	−3.7	6.9265	103.0
1988	*272.6*	*61.6*	*42.9*	*2.0739*	*114.6*	141.9	−3.9	−3.4	7.0354	100.8
1989	*310.2*	*65.2*	*52.2*	*2.0681*	*113.5*	162.9	−6.3	−3.6	7.0169	99.8
1990	324.6	51.7	37.0	2.0537	119.1	170.1	−7.2	−7.2	6.9202	104.8
1991	327.3	11.0	−16.1	2.0480	117.7	175.3	−4.3	−4.7	6.9643	102.7
3rd qtr.1991	83.5	2.4	−5.0	2.0430	116.5	44.9	−1.3	−0.6	6.9441	101.8
4th qtr.1991	84.0	5.8	−1.8	2.0382	116.5	44.9	0.3	0.4	6.9598	102.8
1st qtr.1992	83.0	2.7	−4.3	2.0422	118.8	45.2	0.8	−1.1	6.9492	103.4
2nd qtr.1992			−4.9	2.0511	118.7	46.2	1.6		6.9122	104.4
July 1991	27.5	0.0	−2.7	2.0524	115.8	15.1	−0.52	−0.50	6.9671	101.4
August	28.9	2.1	−1.6	2.0514	116.5	14.7	−0.40	0.35	6.9717	101.8
September	27.2	0.2	−0.6	2.0253	117.1	15.1	−0.36	−0.51	6.8935	102.2
October	[illegible]	1.5	−1.5	2.0417	117.1	15.5	0.67	0.86	6.9609	101.9
November	29.0	1.9	0.9	2.0406	118.6	15.0	−0.00	−0.14	6.9735	102.8
December	27.8	2.4	−1.2	2.0325	119.9	14.3	−0.38	−0.31	6.9451	103.7
January 1992	26.9	−0.4	−3.2	2.0365	119.3	14.9	0.52	−0.14	6.9476	103.6
February	[illegible]	1.1	−0.9	2.0443	118.6	14.9	0.06	−0.00	6.9572	103.3
March	28.5	2.0	−0.2	2.0456	118.4	15.4	0.15	−0.98	6.9429	103.4
April	29.5	2.5	−0.9	2.0483	118.6	15.8	1.12	0.17	6.9274	103.9
May	26.2	0.2	−1.9	2.0551	118.4	15.0	0.59	1.07	6.9090	104.5
June			−2.1	2.0498	119.1	15.4	−0.14		6.9001	104.9

ITALY					UNITED KINGDOM					
Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	
103.7	−16.0	−5.4	1443.0	100.0	132.4	−5.7	4.7	0.5890	100.0	1985
99.4	−2.5	−1.4	1461.6	101.4	108.3	−14.2	0.1	0.6708	91.6	1986
100.7	−7.5	−2.1	1494.3	101.2	112.3	−16.4	−6.4	0.7047	90.1	1987
108.3	−6.9	−6.0	1536.6	97.8	120.9	−32.3	−24.3	0.6643	95.5	1988
127.8	−11.3	−14.0	1509.2	96.6	137.0	−36.7	−32.3	0.6728	92.6	1989
133.6	−9.3	−19.4	1523.2	100.6	142.3	−26.3	−23.8	0.7150	91.3	1990
137.0	−10.5	−28.0	1531.3	98.9	147.8	−14.6	−8.6	0.7002	91.7	1991
31.9	−1.7	−5.5	1525.4	98.1	37.9	−3.4	−2.0	0.6959	90.7	3rd qtr.1991
37.3	−1.2	−8.3	1533.8	98.8	37.2	−3.6	−2.0	0.7069	90.9	4th qtr.1991
34.3	−5.1	−7.6	1535.7	99.0	36.8	−4.3	−3.7	0.7125	90.6	1st qtr.1992
35.8	−3.6		1546.3	98.5	38.1	−4.4	−3.6	0.7034	92.3	2nd qtr.1992
13.2	0.1	−2.2	1529.2	97.9	12.6	−0.9	−0.44	0.6964	90.3	1991 July
7.5	0.2	−0.4	1533.0	98.0	12.9	−1.2	−0.72	0.6987	90.7	August
11.1	−2.0	−2.8	1513.9	98.5	12.3	−1.3	−0.82	0.6924	91.0	September
13.1	−0.9	−2.5	1526.5	98.5	12.3	−1.3	−0.73	0.7014	90.5	October
11.1	−1.6	−2.5	1537.6	98.7	12.3	−1.3	−0.82	0.7076	91.0	November
13.1	1.2	−3.3	1537.4	99.1	12.6	−1.0	−0.46	0.7116	91.2	December
10.7	−2.0	−3.2	1534.9	99.1	11.6	−1.6	−1.43	0.7131	90.8	1992 January
11.4	−1.4	−2.2	1535.6	99.0	12.6	−1.4	−1.22	0.7105	90.9	February
12.1	−1.6	−2.1	1536.7	98.8	12.5	−1.2	−1.05	0.7141	90.1	March
11.6	−1.2	−3.9	1542.0	98.6	12.5	−1.9	−1.63	0.7076	91.4	April
11.5	−1.9	−3.4	1546.6	98.5	13.1	−1.2	−0.90	0.7000	92.8	May
12.7	−0.5		1550.3	98.5	12.6	−1.3	−1.03	0.7027	92.9	June

All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Trade with developing countries is small but growing fast...

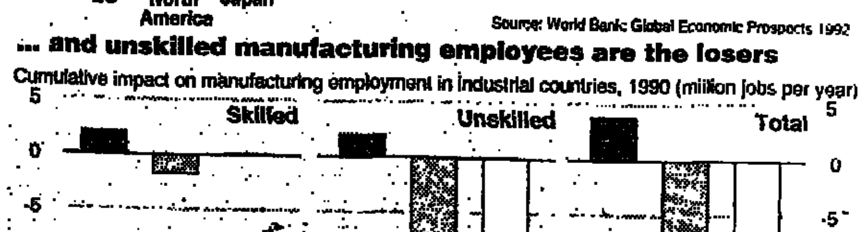
Imports from developing countries as a share of consumption (all manufactures)



Source: World Bank Global Economic Prospects 1992

... and unskilled manufacturing employees are the losers

Cumulative impact on manufacturing employment in industrial countries, 1990 (million jobs per year)



Source Wood (1991)

Developing country competition and unskilled jobs

FEW ECONOMISTS doubt that trade is the route to economic growth for developing countries. Most also believe that free trade is in the interests of consumers in developed countries too. But the rise of trade barriers in industrial countries over the last decade, and their unwillingness to complete the Uruguay Round, suggest that politicians are not convinced by the merits of lower trade barriers.

The popular view that competition from low-cost producers in developing countries pose a growing threat to jobs and incomes in industrial countries is, instead, gaining ground. Both Ross Perot, the former US presidential candidate, and senior Democrats in congress have latched on to this fear. The proposed North American free trade area, signed last week, may yet flounder over the next few weeks in the face of congressional opposition.

Developing country exports have certainly grown rapidly over the past three decades, and Exports from the east Asian economies have grown even faster: by an average 9.2 per cent between 1965 and 1980 and 10.2 per cent a year over the same period between 1980 and 1990. The share of developing country goods in total consumption of manufactures has more than tripled in the last 25 years.

Yet conventional wisdom among economists says that developing country trade is too small to have significant negative effects on wages and employment in developed countries. The penetration of developing country imports into developed country markets may be growing, but it remains low. Developing country exports account for less than a tenth of the manufacturing imports of developing countries and only 3.1 per cent of total manufacturing consumption, as the upper chart shows. Even if every developing countries had posted South Korean style export growth in the 1980s, this share would have been a mere 0.6 percentage points higher.

The impact of trade on labour-intensive manufacturing industry in developed countries has been more pronounced. The share of developing country trade in industrial country imports of these goods has grown from 9.8 per cent in 1965 to 18.7 per cent in 1989, and developing country clothing producers now account for 22.1 per cent of total clothing consumption in industrial countries.

Professor Adrian Wood of the Institute od development Studies at Sussex University has estimated the cumulative effects of developing country trade on manufacturing employment in industrial countries over the last thirty years. Skilled employment increases very slightly – the extra jobs created out-weighed the jobs displaced by imports. But for unskilled employees, the losses swamp the gains. By 1990, total manufacturing employment was a net 9 million jobs lower.

Still, estimates of the manufacturing employment cost of developing country trade are not large compared to the actual decline in manufacturing employment that has occurred. The decline in the share of manufacturing in total employment in industrial countries, from 29 per cent in the mid-1960s to 22 per cent in the mid-1980s, implies a loss of 30m jobs.

Yet estimates of lost employment and import penetration ratios ignore the effect of trade on investment and technical progress. Research in the US suggests that trade is overwhelmed by domestic factors in explaining the shift in demand for labour from unskilled to skilled. But companies may respond to the *threat* of competition by introducing more advanced production methods which use less labour. The timing of the acceleration in manufacturing productivity growth over the last three decades matches the rise of developing country trade. Productivity growth is largely to blame for the fall in manufacturing employment in developed countries, accompanied by rising unemployment and falling relative wages among uneducated workers, whether or not it can be traced to domestic or external factors; and for the nervousness of politicians.

Edward Balls

"How much does trade with the South affect workers in the North?", World Bank Research Observer, January 1991.

MANAGEMENT

With 45,000 of its staff applying for voluntary redundancy, BT has had to be selective, says Diane Summers

Will you hold?

On the last Friday in July 19,000 British Telecom employees across the UK cleared their desks, said goodbye to their colleagues and left work for the last time.

Over the coming months thousands more will join this exodus: the company calculates 33,000 of its 210,000 workforce will go during this financial year.

The sheer scale of the redundancy programme has been unmatched by anything else in British industry in a single year since the coal-field closures of the 1980s.

The opportunity to shed staff has been presented by technological advances, stimulated by competitive pressures and the example of US telecommunications companies' lean staffing. However, greatest of all has been pressure on the bottom line: pre-tax profits in the quarter to June fell nearly 30 per cent, and the pressure will continue now that BT has been forced by its regulator to adopt a stricter pricing regime.

The job cuts are also set to continue. By 1996 the workforce may well have dropped to 130,000 employees or fewer – a 38 per cent reduction on numbers at the beginning of this financial year. Even more remarkable than the scale of the operation is the fact that all redundancies have been voluntary.

Indeed, the exit package offered by BT has been so popular – it was more than 50 per cent oversubscribed – that a new piece of jargon has passed into industrial relations language. Union leaders at BT now complain of "compulsory retention" where they once spoke of the threat of compulsory redundancies.

The main BT union, the National Communications Union, has moved a long way towards accepting the inevitable: in the days when it tried to fight privatisation with industrial action it would certainly also have been manning the barricades over job losses on the current scale.

Instead, the NCU speaks with pride about the terms of the package it has negotiated. The NCU's membership will be decimated but its leaders console themselves with having achieved what Tony Young, general secretary, calls a redundancy package that is "one of the best in the UK".

Release 92, as the package is called, is made up of the following elements:

- Redundancy compensation of up to three years' pay, depending on age, length of service and which of two pension schemes an individual belongs to.
- Pension and pension-related lump sum, dependent on the same criteria.
- Early-leaver bonus of 25 per cent of annual pay for those who left before or during July. Employees leaving before October get bonuses on a sliding scale of between 10 and 20 per cent of pay.
- Pay in lieu of notice for those who left before the end of July.
- Counselling and outplacement services to identify skills and training needs, and provide advice on preparing CVs. "Job shops" provide details of vacancies, word processors and telephones.
- Retraining costs of up to £1,000.
- A tie-up with two employment agencies – Skillbase for managers and professionals, Manpower for engineers, operators and clerical staff – providing opportunities for temporary work within BT and other telecoms companies.

Payments to some employees quitting the company will be as high as £100,000 plus pension entitlement, although pay-offs of around £30,000 are more common. Overall, BT estimates the deal will cost more than £1bn.

Expensive but successful – that is the official BT verdict on Release 92. However, behind the scenes the company is attempting to answer some awkward questions about whether the package was pitched at the right level. It also has to deal with what it admits are continuing severe morale problems and a complex redistribution of the workforce.

Judging from the demand from employees to leave, it appears that in the management's anxiety to recruit enough volunteers, and win union support, the deal was over-generous. The final figures speak for themselves. Some 29,000 employees are being allowed to leave (the balance of job losses will come from natural wastage and the sale of some businesses). However, nearly 45,000 applied to go.

Demand was whipped up to some extent by management warnings that the generous terms of Release 92 would never again be available. It was also made clear that more jobs would go over the next two or three years. Poor morale born of constant policy changes and insecurity about future prospects, say the unions, was another factor which inflated demand.

It has been claimed that many employees were misled about their chances of being able to collect the redundancy package and start new lives. The NCU is supporting appeals by employees who, for example, took leases on business premises and raised loans in the expectation – allegedly fuelled by their line managers – that they would be able to leave under Release 92. Says Young: "They created a climate of expectation they couldn't hope to fulfil in the end."

Michael Hepher, group managing director, told staff last month: "We have said repeatedly ... that BT could not undertake to release everyone who asked to go, but with hindsight, we should have reinforced this message at every one-to-one interview."

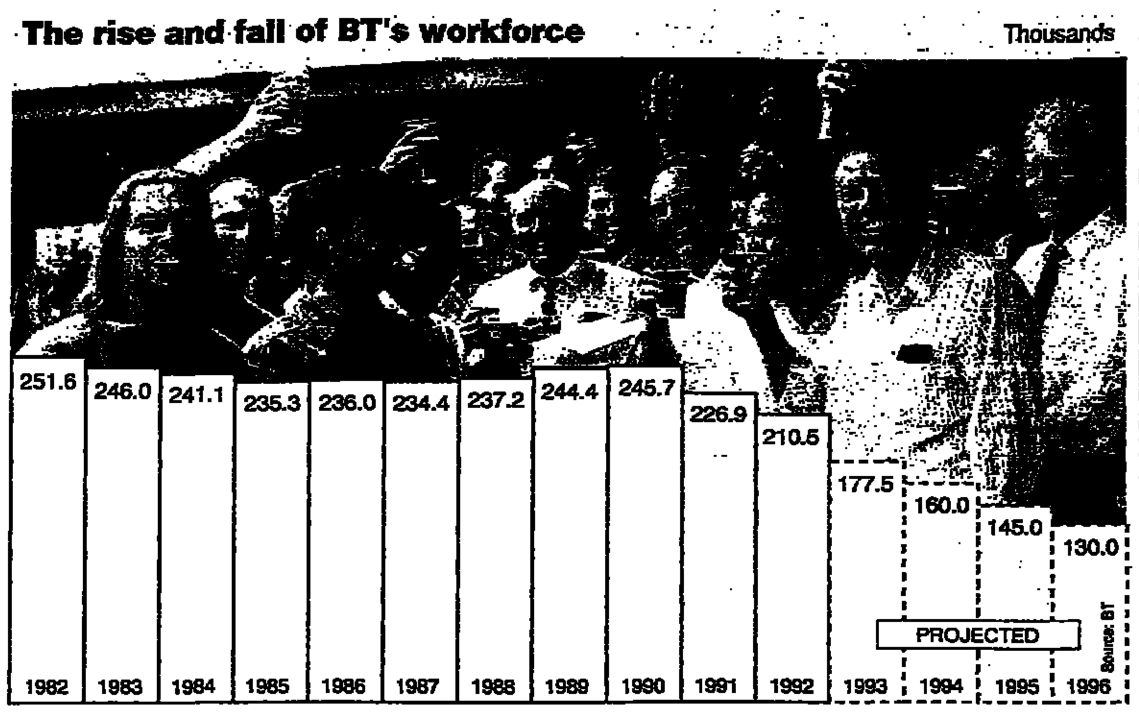
Young claims that, as the cut-off date of July 17 approached, Release 92 "spun out of control". When it became clear that take-up had been seriously misjudged, managers were given the invidious job of rejecting candidates who showed merit.

An internal memo at the time made it clear that certain categories of applicant should be retained. Those whose appraisals had marked them out as sound performers with potential for promotion, for example, were rejected. Those with long service (the most expensive to pay off) were also less likely to get through. Unions complained that employees were being punished for being loyal and capable.

It was decided at the last minute to extend Release 92 to 8,500 more employees than had originally been intended. David Scott, BT's industrial relations manager, denies the programme was out of control but concedes there was "certainly a lot of quick thinking going on".

Now BT is turning its attention from those clearing their desks to those who will remain. The priority is maintaining customer service: last time staff numbers were cut, following privatisation, consumer complaints soared and recruitment had to be increased again. Redeployment to fill some of the worst gaps is now urgent, as is restoring morale among the 16,000 staff who thought they would be attending their own leaving parties this year.

The rise and fall of BT's workforce



More than your job's worth

IF YOU could have your time again, would you choose to struggle up the same ladder? Some 40 per cent of British managers are not so sure, reckoning that the costs in terms of lost free time are so high that it is not worth it.

Indeed, only 3 per cent of executives feel that on the way to the top, they have not made any sacrifices at all.

The survey, carried out by Robert Half, the recruitment consultants, shows that many managers also fear that their work is having a nasty effect on their personalities: it is making them less likeable, ruining their relationships at work, and getting in the way of their friendships. Above all it is damaging their home life – one in five reckon the effect is serious.

Has the problem always been this bad, the difference being that only now managers are happy to talk about it? To judge by the survey, the pressures do seem to be increasing. It seems that the move to cut out several hundred thousand middle managers in the UK has served to increase the pressure on those that remain. Many of those who took part in the survey noted that their workloads had increased, and were continuing to do so. Furthermore, almost half had felt that their jobs could be next to go.

Apparently, managers realise they are not alone in their suffering. On average, they estimate that 70 per cent of executives in their organisations are also victims of stress, a problem made worse by recent waves of redundancies. The most common signs are bad temper and irritability, although the symptoms identified ranged from nervous breakdowns and heart attacks at one extreme to rattling change and clicking teeth at the other.

The survey suggests that rather than tackling managers' problems through changes in work patterns, many companies are instead concentrating on treating the symptoms. Consequently, the management of stress is becoming big business. One executive said that following two nervous breakdowns among managers at his company, a special agency dealing with stress and its problems had been taken on, and executives who seemed to be bending under the stress were being sent off to private clinics for a rest cure.

Lucy Kellaway

One switch after another


Lise Bockhart: leaving BT for a new career in aromatherapy

LISE Bockhart is swapping her computing job at British Telecom for the exotic occupation of aromatherapist, using fragrant oils and massage to treat stresses and ailments.

Her choice of a new career may be unusual but the voluntary redundancy package she has picked up from her employer is fairly typical of the terms of Release 92.

A lump sum of £21,000 includes the maximum "early leaver" bonus and money in lieu of notice. She also gets £1,000 towards the cost of her retraining.

Bockhart, aged 31 and with a son of five, had worked for BT for eight years and was earning £17,000 when she left at the end of May.

She says she "moved very quickly" when she heard about the package: out of her 30 immediate colleagues, six have left under the scheme but a further four have been refused.

Her Hertfordshire-based job was on BT's internal computer "help desk", taking about 200 enquiries a day and problem solving over the telephone.

Before that, Bockhart was a senior data processing officer – a job which gave her greater opportunities for overtime and shift payments.

If morale within the company had not been so low and future job prospects so insecure, Bockhart says she would not have gone for voluntary redundancy. "I knew our site was threatened with closure.

"Other sites have been moved to the far reaches of Scotland where labour is cheaper. It would have been impossible to relocate," she says.

Bockhart expects to be qualified as an aromatherapist by the New Year and wants to work freelance from her home in St Albans. "I've left a stressful working environment. Now my job will be to treat others who are still there," she says.

Diane Summers

BUILDING CONTRACTS

£22m Merseyside hospital plan

AMEC BUILDING, which recently changed its name from Fairclough Building, has been awarded contracts totalling in excess of £52m.

The total includes a £22m design and build contract for the Liverpool Obstetric and Gynaecology Services NHS Trust, to construct a women and babies hospital in Liverpool.

The company will commence construction of the 263-bed hospital in September, with completion anticipated early in 1995.

Located on a 13 acre green-field site in Liverpool 8, the hospital will contain an obstetric and gynaecology centre incorporating five theatres, general ward and day ward departments together with patient residence accommodation and conference facilities, all with full support and administration facilities.

The first hospital to be built on Merseyside for almost two decades, the three-storey building will be constructed in just 30 months.

It will replace the Liverpool Maternity Hospital, Mill Road Maternity Hospital, the Women's Hospital in Catherine Street, Liverpool and departments currently housed in the Royal Liverpool University Hospital.

At Plymouth, AMEC Building has been awarded a £10.4m contract to construct student accommodation buildings for the University of Plymouth.

The contract, which is for construction of a total of 84 flats, will provide 430 accommodation units for students, 162 of which will have shower en suite facilities.

Residence blocks will also include a 250-seat lecture theatre, seminar rooms, warden accommodation, a refectory and a basement car park.

Expansion at London hospital

A 13.7m contract to construct two buildings in the grounds of Hammersmith Hospital in west London has been awarded to MOWLEM SOUTH EAST, a division of John Mowlem Construction.

The larger of the two is an eight-storey 9,500 sq metre clinical research building for the Medical Research Council. The building will have six storeys of fully fitted laboratories for research into the basic science of disease, with two storeys of plant above.

The second is a three-storey 3,500 sq metre cancer centre for The Hammer Cancer Trust. This will have treatment rooms and wards grouped around a central atrium.

Research centre

Two contracts totalling nearly £9m - both for organisations moving to Swindon - have been won by TARMAC CONSTRUCTION.

A £4.5m research and technology centre is to be built for National Power on the Windmill Hill Business Park currently being developed by St Martin's Properties.

Tarmac's second contract, valued at £4.3m, is to build an archive store for The Royal Commission on the Historical Monuments of England which is moving its headquarters from London to Churchward.

Binfield Manor

JOHN LELLIOTT CONSTRUCTION GROUP has been awarded a total of £18m worth of contracts including the £4m restoration of Binfield Manor, Forest Road, Binfield, Berkshire.

Work on this Grade II listed building involves stripping out, installation of M & E services and fitting out, including marble floors and carved wood panelling.

New shopping centre for Edinburgh

BOVIS CONSTRUCTION (SCOTLAND), a P&O company, has been appointed project manager for the building of the £34m Gyle Shopping Centre in Edinburgh.

The development is being jointly undertaken by Edinburgh District Council, Gazeley Properties, and Marks & Spencer. It will provide 300,000 sq ft of shopping at a key location on the west side of the city.

The anchor stores will be Marks & Spencer and Asda, with a further 60 units in the shopping mall, together with a food court.

The external car parks will accommodate 2,625 cars and a dedicated petrol station will also be provided as part of the overall development.

Work has already commenced on site and along with the completion of the Gogar underpass and road improvements, the centre is scheduled to be operational by Christmas 1993.

Concert hall venue in Basingstoke

COSTAIN BUILDING & CIVIL ENGINEERING has been awarded the £9.5m management contract for the construction of a concert hall in Basingstoke for Basingstoke and Deane Borough Council.

The building will provide a main auditorium to seat 1,400 people and will cater for a full symphony orchestra. A second hall will provide a more intimate setting, to complement the main auditorium or to host separate events.

The structure consists of piled concrete foundations, partial basement and a structural steel frame superstructure. The external envelope is a composition of three types of cladding: glazed curtain walling, traditional brick and rain screen walling of lightly profiled metal cladding, which is also being used on the roof.

A pedestrian bridge over Churchill Way will link the entrance courtyard to public areas nearer the town centre.

Port Dinorwic bypass development

The award by the Welsh Office of the 5.3 km Port Dinorwic bypass in north Wales boosts the workload of MORRISON SHAND CIVIL ENGINEERING in the north west of England and north Wales by some £7.5m.

Work has begun on the bypass, which is single carriageway with crawler lanes on the up gradients.

The route, which runs parallel to the Menai Straits, involves the excavation of 500,000 cu metres of material - of which 250,000 cu metres is rock. The project includes three overbridges and three underbridges as well as three underpasses. In addition there will be three reinforced concrete retaining walls and extensions to box culverts.

Mixed batch for Miller Construction

Contracts totalling nearly £10m have been won by MILLER CONSTRUCTION during July.

Less than four months after securing the £7m contract to build a 332-bed student accommodation unit at St Andrews University the company has won the £2.8m contract to increase the size of the development to take 537 beds.

Contracts worth a total of £1.3m will involve the company in carrying out laboratory alterations at Ninewells Hospital, Dundee and at the Western General Hospital, Edinburgh refurbishing and enlarging the oncology department.

The cost of the latter contract to improve and increase reception, consulting and waiting areas will be jointly funded by the Lothian Health Board and the Macmillan Trust, a charity involved in the care of cancer patients.

A £2.2m contract will see the company carry out the alteration and enlargement of the Capital Moat House Hotel on Edinburgh's Corstorphine Hill.

The Port of Leith Housing Association has placed a £2.6m contract for Miller Construction to build 67 sheltered homes for elderly people. Work has also begun on a £420,000 sports and leisure facility for Dumbarton District Council.

PEOPLE

■ NATIONAL WESTMINSTER BANK has appointed a new boss of its operations in London's West End a month after it sacked 185 staff. Andrew Blessley, 41, has been appointed regional executive director for the bank's West End region which puts him in charge of over 90 branches and more than 3200 staff in the heart of London.

The bank says that there is no connection between Blessley's appointment and the sackings, which have caused considerable ill-feeling amongst the bank staff. Blessley's predecessor, Alan Thomas, 57, retired in May.

Nevertheless, whilst all big banks have been operating voluntary redundancy schemes, NatWest has gone further than most by identifying the staff it wants to get rid of, as opposed to those who want to leave voluntarily, and summarily dismissing them. One of Blessley's first tasks will be to rebuild staff morale which Richard Lynch, senior London organiser for the Banking Insurance and Finance Union, says is at an all-time low.

Blessley, who joined the bank after reading modern languages at Cambridge, has spent the bulk of his 20-year NatWest career on the international side. He spent three years in San Francisco, was seconded to Banco Nacional in Mexico City for six months, and worked in New York for several years. In October 1990 he was appointed assistant general manager of the group chief executive's office.

■ Ron Williams, NatWest's director of business operations, UK branch business, has been appointed ceo of EUROPAY INTERNATIONAL, the company created by the merger between Eurocard International and eurocheque International.

■ Hans-Dietrich Bauernfeind has been appointed a director of THORNTON ASIAN EMERGING MARKETS INVESTMENT TRUST.

■ Ted Lord, formerly head of financial engineering at Citibank Frankfurt, has joined BZW Frankfurt as a director of corporate finance.

■ Christine Shepherd, Julia Prescott, Rosamund Williams, Pavlos Stellakis, Jonathan Trower, John Ross, Christine Cottrell, Jonathan Daniels, John Davies, Mike Campion, Tom Murphy and Bruce Offergelt have been appointed to the board of HILL SAMUEL BANK.

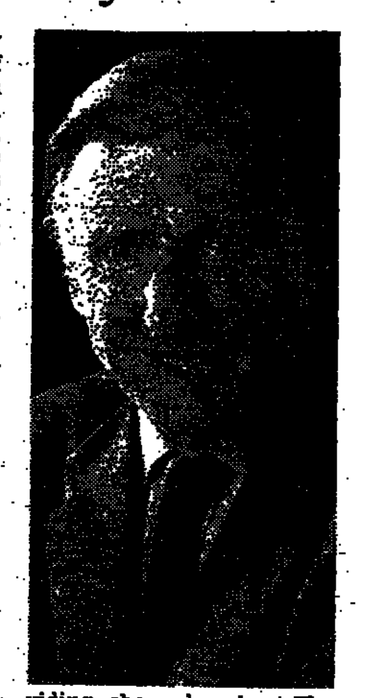
■ Akis Karayiannis, formerly a vice-president at Citicorp, has joined LEHMAN BROTHERS INTERNATIONAL as an executive director and head of foreign exchange sales and trading in London.

■ Usha Kelly has been appointed technical director in the personal financial planning division of BAIN CLARKSON FINANCIAL SERVICES; Craig Stansfield is promoted to regional director.

■ John Pearce has been appointed a director of LONDON AMERICAN VENTURES TRUST.

■ Marilyn Fee White has been appointed director of marketing, based in New York, of Posthorn Global Asset Management, a London-based subsidiary of SHEARSON LEHMAN BROTHERS.

Home help Benyon



How would George Peabody have tackled the problems of London's homeless if he had been alive today? This is a question that William Benyon, the former Tory MP, will be increasingly asking himself as he takes up his new job in January as chairman of the Peabody Trust, London's largest housing charity.

The problems of London's poor have changed considerably since George Peabody, the one-time supposedly heartless American banker, suddenly disarmed his many critics by setting up the Peabody Trust in 1862 with a £500,000 donation. However, the trust, which houses 25,000 Londoners on some 70 Peabody Estates, has not moved with the times as quickly as it might.

A paternalistic organisation, for many years Peabody's main motivation seemed to be to keep the rents on its properties as low as possible. To this extent it has been very successful with average rents for two-bedroom houses ranging from £25 in Haringey to £48 in Ealing.

However, Benyon, who takes over his unpaid role from Hugh Astor, hopes that Peabody can come to play a far bigger role in tackling poverty generally, rather than just providing cheap housing. The problem is balancing the costs of a £200m ten-year modernisation of Peabody's existing old properties with wider plans to help the homeless and disadvantaged. He says that he has a number of ideas but refuses to be drawn on them because "negotiations are very ticklish at the moment."

Withdrawing from Wescol

Alan Riddle and David Sutton, who joined the board of USM-quoted steel fabricator Wescol in May, have resigned already, as the stock market turned sour and general business confidence dropped, putting an effective halt to expansion plans.

Riddle, 50, and Sutton, 39, had set up in business together in 1988, when they both left Tarmac. Having developed an interest in niche building material products, including a controlling stake in a security shutters and grills business, they were keen to merge with Wescol, which they had identified as a well-managed company, albeit in a problem sector. "We thought we had seen a window of opportunity to raise money and build it up." But they had underestimated the grave problems afflicting the sector – with structural steel and building components combine Ward Group, for instance, going into administration about the time the pair joined Wescol. The climate for rights issues also "fell off a cliff", as Sutton puts it.

The previous Wescol chairman John Hicks had resigned in May over an unrelated matter. Riddle and Sutton had lined up "a well known figure in construction and engineering" to chair what should have been an expanding business. But with their plans dropped, Barry Anysz, a non-executive director since 1987, and acting chairman following Hicks' departure, is confirmed as chairman.

Architecture/Colin Amery

The dangers of political architecture

THIS summer beach reading takes on a serious tone as Europeans loll on sunny islands, within earshot of the sounds of hideous civil wars.

Two particular books seem to have a timely relevance for anyone interested in the inevitable effects of politics upon architecture – *The Arts of the Third Reich* by Peter Adam, (Thames and Hudson, £24.95) and *Stalinist Architecture* by Alexei Tarkhanov and Sergei Kavtardze, (Laurence King, £35). Both these books are about blood and buildings. Hitler and Stalin, two tyrants of the twentieth century, both needed more than just terror to perpetuate their nauseating ideals.

Hitler had serious architectural and artistic ambitions – indeed he is supposed to have wanted to be an architect. He would certainly have given architectural arrogance a new dimension. But he was served by his architect Albert Speer and the sculptor Arno Brecker in ways that were not completely without artistic merit. The tragedy of art and architecture being used so blatantly for banal propaganda purposes is that all artistic standards are debased. Even a good artist is inevitably corrupted.

Stalin simply encouraged mindless monumentalism. The two Russian authors have written an extremely staight-forward account of a period that is very recent to them with elegant objectivity. The Stalinist style has an interest because if it had been built with its modernist cubist style of ornament and without its Social Realist heroics, it might well be admired today. Instead the mighty buildings stand for a hollow and horrific period of megalomania.

Peter Adam has gathered from the slowly opening archives a good collection of visual images many of which have never been seen before. From his book you get a very strong sense of art perverted by politics. It is the kind of book that makes the reader examine his aesthetic responses as well as his political ones. The author engages in an impossible search for artistic objectivity and inevitably leaves a lot of difficult questions unanswered. His analysis of the ways that Nazis misused artists is accurate and fascinating.

Both books belong in any library about the art and architecture of the twentieth century. Both demonstrate the huge set-back these tyrants caused to the natural development of a historically based architectural tradition. First tyranny and then modernist excesses almost succeeded in killing off history as a source of architectural development.

Both the Nazis and the Stalinists perverted history – and we are all still suffering for it. How often is fascist now used as a term of abuse when classicism is revived today ? These books both show objectively the dangers of political architecture and the artistic danger of perverting history.

On a calmer note, anyone interested in recent architecture should take a look at a series from Phaidon Press. It is called "The Architecture in Detail" series – and plans to be a range of monographs with excellent drawings and photographs of the, "most celebrated buildings of the last two centuries".

The series struck me as useful to anyone contemplating commissioning an architect, (a rare and recondite activity today) and probably useful as crib sheets for practising architects. The buildings covered include, The Red House by Philip Webb; The Oxford Museum of Natural History by architects Deane and Woodward; Alvar Aalto's Villa Mairea in Finland; Frank Lloyd Wright's Barnsdall House in Los Angeles; The Royal Festival Hall; The Hoover Factory; the UK Pavilion at the Seville Expo; and many more.

They are far from perfect as a series because they seem to fall between two stools. They are quite expensive – £19.95 for a paperback magazine format and yet they are not the last word on the buildings they cover. They are not written by scholars and indeed the texts I have read are very variable – the quality of the actual writing does not seem to matter.

Several of the series deal with recent trendy architecture – it is hard to see the lasting significance of some London restaurants and advertising offices. If the series can avoid appearing as uncritical publicity brochures for current contemporary architects it will be far more successful.

Hitler had serious architectural and artistic ambitions

My other criticism is that an aversion to captions and a certain martyrdom to the wilful ways of the graphic designer makes the series more difficult to read than should be the case. The most successful are the titles that are photographed by one distinguished photographer. The publishers hope for annual subscribers – twelve slim volumes a year – and offer a good discount.

I had looked forward to the summer break to have time to read the handsome volume, *The Italian Renaissance Interior 1400-1600* by Peter Thornton, (Weidenfeld and Nicolson . £65.00). What a disappointing book – perhaps the subject is too big and the evidence too recondite to make a book on this intriguing subject readable and scholarly and convincing.

This is really an amazing cull of pictorial material assembled by a team of helpers and captioned at length by an author who is clearly more interested in certain aspects than in others. I cannot be alone in finding it hard to take seriously a tome that wants to be seen as scholarly but contains this extraordinary disclaimer by the author – "Readers may notice that when I come to matters that do not particularly interest me (or about which I am rather ignorant, which comes to the same thing) I say very little; I mention these matters in the appropriate places merely so that my coverage of the field should be fairly comprehensive."

This reader noticed that Mr Thornton is not particularly interested in architecture, nor is he even remotely interested in painting. His analysis of fragments of great paintings selected to illustrate interiors of his period almost always ignores the artist's colour and compositional intentions.

The book is full of wonderful pictures – the text is a worrying muddle.

Glasgow International Early Music Festival

An enchanted voyage

THE highlight of this year's Glasgow International Early Music Festival was *La comici del cielo, ovvero La Baltasara* a 1668 Roman "music-drama" given two performances in the vast and wonderful spaces of the Tramway Theatre. The music was by a noted Roman church musician, Antonio Maria Abbatini, the text by a play-writing cardinal, Giulio Rospigliosi, at the time near the end of his short period of office as Pope Clement IX.

In case any of this suggests a dusty research-exercise, I must immediately insist that this revival of *La Baltasara* – claimed as the first-ever – afforded an experience of rarest delight, a enchanted voyage across historical time and space to what for most people in the Glasgow audience will have proved a new world of opera. Seventeenth century Roman opera, not possessing a musical figure of Monteverdi dominance or Cavalli stature, is a territory relatively little excavated; these festive Glasgow re-discoveries – two years ago it was Marazzoli's 1656 *Vita humana*, still talked of with excitement – are changing all that, to illuminating effect.

The titular heroine stepped into theatrical and then operatic re-creation from real life: she was Francesca Baltasara de los Reyes, a leading Valencia actress, who experienced religious revelation in mid-performance and took up the life of a hermit. A Spanish play on the subject preceded Rospigliosi's treatment; the character of Spanish theatre, of Lope de Vega and Calderon (both of whom the cardinal passionately admired), feeds one source of influence into the libretto.

Act 1 is a backstage comedy-drama. Acts 2 and 3, set in a desert, mingles events supernatural (Baltasara's new-found faith tested by the devil) and picaresque, of main and subordinate characters serious and comic. The morally uplifting ending – Baltasara's triumphant arrival in Paradise to the strains of a celestial chorus and a dance of the seven virtues – is entirely in keeping with the distinct tenor of Roman opera.

Ears habituated to the mould-breaking genius of Monteverdi and the indelible melodic and rhythmic appeal of Cavalli may at first have found Abbatini's succession of recitative and short numbers small-scale, and lacking in individuality. As Baltasara's own stature grows, however, so does the force of the drama; in this reading, with two small groups of "period" instruments disposed to either side of a thrust stage, the dignity of the later scenes infused the whole theatre with a glow of lyrical radiance.

Kate Brown (producer) and Warwick Edwards (musical director and editor), the team responsible for *La vita humana* at the Tramway in 1990, have mastered the art of spreading the focus of a music-drama across a whole auditorium (and, in the intervals, the foyers) without ever diluting it. The charm and fluency of the production, the brisk wit and keen intelligence of its stagecraft, the deft manipulation of cohorts of dancers and singers all this kept the show tautly unfolding, and kept me captivated. A pity no English translation was available for even closer contact with the audience (but the standard of Italian enunciation was higher than usual, and a libretto was on sale).

In the title role Janis Kelly showed herself once again – as she had in the Opera Factory *poppea* earlier this year – an artist of the highest eloquence, verbal and vocal conviction, distinction of bearing. She was the opera's vital centre; around her such admirably stylish singing-actors as Tinuke Olafimihan (a fast-developing young soprano of lustrous tone and presence), Alan Watt, Eleanor Bennett, Stuart Patterson and Francesc Garrigosa were aptly and impressively displayed.

Max Loppert

London Promenade Concerts

Elves of Denmark

THE elves of Denmark were malicious little creatures, not nice at all. Just when the people who lived around their territory thought things were progressing for the good of the community, the Danish elves would rouse from their otherworldly slumbers and throw a spanner in the works out of gleeful spite. All fiction, of course, handed down to us in folk-tales.

Stories about elves were popular in Northern countries in the nineteenth century and the Danish composer Niels Gade was particularly taken by them. At the Promenade concert on Friday a visiting Danish choir and orchestra brought a rare performance of his cantata *Elverskud* ("The Elf-King's Daughter") with a text in which Hans Christian Andersen had a hand. A noble lord is lured to Elfin Hill on his wedding day by a elf-maiden of the night, whose seductive wiles bring him to a grisly end.

The tale, with its barely-suppressed theme of the dangers of sexual attraction, is potentially a gripping one. If only the music was half as interesting. Unfortunately Gade was content to spend his time picturing at leisure starlit nights on the Elfin Hill and barely gets to grips with the nub of the story at all (Schubert said far more in five minutes in his song "Erlkönig").

The music is all watered-down Mendelssohn. Occasionally some of the descriptive passages catch the magical atmosphere, but the rest is far too monotonous, substituting a generalised naive and homely mood for the thrill of narrative tension that the story demands. The fine solo trio of Inga Nielsen, Anne Gjevang and Poul Elming introduced a couple of Wagnerian voices to this very sub-Wagnerian piece, accompanied by the Danish National Radio Choir and Symphony Orchestra under Dmitri Kitaenko.

The chorus and orchestra, which had made a good impression in the Gade, returned later for a lacklustre performance of Prokofiev's *Alexander Nevsky*. In between, however, Aage Haugland was the awesomely gloomy bass soloist in an extraordinary arrangement of Musorgsky's *Songs and Dances of Death* by Edison Denisov, in which Denisov enjoys himself hugely adding vibraphones and ghostly chromatic celesta descants to the music. Nothing like Musorgsky at all, but novel and entertaining.

The next night brought another choral concert, in which the BBC Symphony Orchestra and Chorus might have made more impact if they had been galvanised into action by a conductor with some energy and a tough line on ragged ensemble. Instead, Gennady Rozhdestvensky led them in a sleepy account of Brahms's *Schicksalslied* ("Song of Destiny") and a slack one of Verdi's Quattro pezzi sacri. Strong music like the Verdi needs strong direction.

A corresponding lack of energy and freshness marred Schumann's Piano Concerto. The soloist was Victoria Postnikova, who alternated a few passages of Prokofiev-like metallic virtuosity with long stretches in which all momentum was lost, as she laboured to find the poetry that should be at the heart of the concerto. If not for the glory of Verdi resounding through the Royal Albert Hall, this would have been a dispiriting evening.

Richard Fairman

Thursday's BBC Philharmonic concert at the Proms was conducted by the orchestra's recently-appointed Composer Associate, Peter Maxwell Davies.

It included, as well as works by Mozart, Tchaikovsky and Beethoven, a big Maxwell Davies revival – *Black Pentecost* (1979), the long, bleak-spirited song-symphony for mezzo (Della Jones) and baritone (David Wilson-Johnson) and large orchestra on texts by the Orkney poet George Mackay Brown.

The theme is the destruction for commercial purposes of an Orkney island. This adds *Black Pentecost* to the honourable short list of twentieth century "protest symphonies" (Shostakovich being, of course, Maxwell Davies's most significant predecessor on that list).

It starts, Shostakovich-like, with a slow, dark, barely-scored rumination, shaped according to this composer's "medieval-modern" structural designs, that gradually accrues bitter tints of Mahlerian anguish.

The beauties of the island (touched in by achingly delicate applications of percussion glitter) are characterised as spacious and timeless; the violence and mindlessness of its destroyers are depicted in terms of "mechanical" madness.

The voice parts, grave in tone, work predominantly in narrative mode (though the baritone has a brief passage of this composer's dottiest Expressionist vocal writing).

I don't feel *Black Pentecost* quite adds up, holds together; its form seems somehow distended, loose. But the impact of all its parts proves loweringly fierce.

Max Loppert

Theatre/ Plymouth

Annie Get Your Gun

WHEN Ethel Merman revived *Annie Get Your Gun* in 1966, playing her own original part from 1946, it was dubbed "Granny Get Your Gun." But nothing could be more fresh, energetic and upbeat than this new production of *Annie* at The Theatre Royal, Plymouth. This is uplifting, sunny theatre, precisely sung, energetically danced and meticulously directed.

The show has aged well. *Annie* was nearly written by Jerome Kern. He died in 1945 leaving the producers with everything but the music. They called on Irving Berlin in the spring of 1946, just before rehearsals were beginning, and he wrote them a golden score at breakneck speed. It opened at New York's Imperial Theatre in May 1946, and ran for 1,147 performances.

Annie followed *Showboat* in setting a show within a show. It added two great American institutions, hotels and trains, and based itself on the life and times of Phoebe Anne Moses (1866-1926), sharpshooter and firebrand. The writers, Herbert and Dorothy Fields, had found a subject fantastic enough to meet the musical's demand for escapism.

Roger Redfarn's direction knows that the musical offers the complete world. He leaves no character on stage redundant, even when not singing or dancing. The show-stopping ensemble "I Got the Sun in The Morning" has a butler and footman singing to each other in the chorus, and makes two dancers pause before launching into the number, wondering whether to join in. The precise choreography complements the pacey orchestral accompaniment (Nick Davies) to make every aspect of the show hum with vitality.

Each scene has its own rich design (Terry Parsons): stetsons and bustles in town, headdresses and moccasins in the tee pee.

Kim Criswell plays Annie magnificently. She fills the stage with personality, rounding out a two dimensional part with the intimate "Moonshine Lullaby" and the stomping "I'm an Indian Too". Opposite her, John Diedrich as Frank, her rival and beau, makes the most of Berlin's more varied fare, particularly "My Defences are Down".

Their infectious energy transmits to the rest of the cast: Veronica Hart and Billy Burke as two young lovers, sing and dance their way into love, twice; Leon Greene (Buffalo Bill) and Brian Glover (Chief Sitting Bull) add height and depth.

The all-singing all dancing chorus carries the ensemble numbers with verve and wit.

This is a delightful piece of Americana, alive with movement and incident still foreign to the English sensibility. And it proves Berlin's wisdom, "A man never trifles with girls who carry rifles".

Andrew St George

The Theatre Royal, Plymouth, 0752-26722

INTERNATIONAL ARTS GUIDE

■ FESTIVALS

■BAYREUTH
This is Domingo week at the Festspielhaus. The Spanish tenor makes his Bayreuth debut tonight in Parsifal, with a second performance on Thurs. Domingo will also sing the title role in all next summer's performances. Tomorrow, Giuseppe Sinopoli conducts Der fliegende Holländer, with Bernd Weikl and Sabine Hass. Tannhäuser can be seen on Wed, with Wolfgang Schmidt, Tina Kiberg and Eike Wilm Schulte in the main roles. The final cycle of the Barenboim-Kupfer production of The Ring begins on Fri. Ends Aug 28. (921) 20221

■BREGENZ
The final week of this year's festival has daily performances of Carmen on the floating stage. The Carmina Quartet plays works by Haydn, Ravel and Schubert at Hohenems on Fri, and James Judd conducts the Bergen Philharmonic Orchestra in the Festspielhaus on Sun morning, with Bruno Leonardo Gelber soloist in Grieg's Piano Concerto. (5574) 4920 224

■EDINBURGH
In the first full week of this year's festival, the Usher Hall programme is almost entirely devoted to a Tchaikovsky retrospective, with concerts by the Danish Radio Symphony Orchestra under Kitaenko (tonight), the Scottish Chamber Orchestra under Mackerras (tomorrow), a Dmitri Hvorostovsky recital (Wed), Scottish Opera's concert performance of The Oprichnik (Thurs) and three St Petersburg Philharmonic concerts (Fri, Sat, Sun).

Recitalists in the morning series at Queen's Hall include the Borodin Quartet, Peter Donohoe and Barbara Bonney. Cristina Hoyos heads the ballet programme at the Playhouse (tonight till Thurs), followed by the Mark Morris Dance Group (opening on Sat).

The Voysey Inheritance, the first of Harley Granville Barker's plays at this year's festival, runs daily till Sat at the Lyceum, while a series of plays by Scottish author C P Taylor can be seen at Church Hill Theatre, St Bride's Centre and The Corn Exchange. The Royal National Theatre production of Lope de Vega's Fuente Ovejuna can be seen at the Assembly Hall. Ends Sep 5.

Official Festival: telephone bookings (31) 225 5756, 24-hour information service within UK 0891-600 304. Military Tattoo: (31) 225 1188. Fringe: (31) 226 5257

■LA ROQUE D'ANTHERON
The piano festival at La Roque d'Antheron, 50km from Marseilles and Avignon, continues with an early evening recital tomorrow in the Parc du Château by Frédéric Chiu. This is followed at 21.30 by a programme of Mendelssohn sacred music in the Abbaye de Silvacane, sung by the Chorus Musicus de Cologne.

On Wed, Thurs and Fri, there are early and late evening recitals featuring a wide variety of artists including Elisabeth Leonskaja, Richard Goode and Malcolm Bilson. Shura Cherkassky gives a concert on Sat, and the final recital on Sun is given by Christian Zacharias. (16) 4250 5115

■LUCERNE
The first full week of this year's festival begins with two London Philharmonic concerts in the Kunsthaus conducted by Klaus Tennstedt. Tonight's programme includes Strauss' Four Last Songs sung by Felicity Lott. Tomorrow is a Wagner concert. On Wed, Kurt Sanderling conducts the Swiss Festival Orchestra in works by Beethoven, Brahms and Schumann, and Maurice André is soloist in a Festival Strings concert on Thurs.

Also on Thurs, the City Theatre gives the first of three performances of the Cocteau ballet Les mariés de la tour Eiffel, part of the festival's tribute to Les Six (three of whom have centenaries this year). The ballet is paired with Poulenc's opera bouffe Les mamelles de Tirésias. Andras Schiff gives a piano recital on Fri. On Sun, Anne Sophie Mutter is soloist in the first of two concerts conducted by Paul Sacher at the Lion Monument.

Next week's highlights include concerts by the Royal Concertgebouw Orchestra and the Dresden Staatskapelle. Ends Sep 9. (41) 235272

■SALZBURG
The new Mortier regime at Salzburg moves into top gear this week, with the premiere of Peter Sellars' production of Messiaen's Saint François d'Assise tonight in the Felsenreitschule (also Fri), and a new staging of Salome at the Kleines Festspielhaus opening on Thurs. Esa Pekka Salonen conducts the Messiaen, with a cast headed by José van Dam. The Strauss production is conducted by Christoph von Dohnanyi, with Catherine Malfitano in the title role. At the Landestheater, Anne Sofie von Otter stars in a revival of Ursel and Karl-Ernst Herrmann's production of Mozart's La finta giardiniera (tomorrow, Thurs and next Mon). Traditionalists will enjoy Le nozze di Figaro tonight and Wed at the Grosses Festspielhaus but the rest of the week is devoted to heavier fare – Die Frau ohne Schatten conducted by Solti tomorrow, and From the House of the Dead conducted by Abbado on Fri.

Pierre Boulez's cycle of concerts with the Ensemble InterContemporain is underway at the Mozarteum, and Marjana Lipovsek gives a recital there on Sun. This week's Vienna Philharmonic concerts (Sat evening and Sun morning) are conducted by Bernard Haitink, with Yo Yo Ma soloist in Dvorak's Cello Concerto. Pollini gives a piano recital on Sun evening.

Marilyn Horne and Edita Gruberova have withdrawn from the concert performances of Tancredi on Sat and next Wed. and Vesselina Kasarova and Nelly Miricioiu have been engaged as replacements.

Ends Aug 30. (662) 846682

■SCHLESWIG HOLSTEIN
Neeme Järvi conducts the Gothenburg Symphony Orchestra tonight in Kiel and tomorrow in Eutin. The programme includes Stenhammar's Second Piano Concerto (Cristina Ortiz) and Sibelius's Second Symphony. Other events this week include piano recitals by Alicia de Larrocha on Thurs in Haseldorf and on Fri in Wotersen, and concerts by the Festival Orchestra in Altenhof on Fri and Kiel on Sat (with Iona Brown and Justus Frantz). Sinopoli conducts the Dresden Staatskapelle in Flensburg on Fri and Hamburg on Sat. The festival ends with performances of Britten's War Requiem in Lübeck's St Marien Kirche on Sat and Sun, conducted by John Eliot Gardiner. (431) 567080

■TANGLEWOOD
This week's programme begins on Thurs with a recital by violinist Pamela Frank, accompanied by Peter Serkin. The Boston Symphony Orchestra's concerts on Fri evening and Sun afternoon are conducted by Marek Janowski.

In the first programme, Garrick Ohlsson plays Bartok's Third Piano Concerto, and in the second, Itzhak Perlman is soloist in Brahms' Violin Concerto.

On Sat, James Conlon conducts Arvo Pärt's Second Symphony and excerpts from Prokofiev's Romeo and Juliet, and Carol Vaness is soloist in Mozart arias.

Next week, Tanglewood winds up its summer programme with a series of jazz concerts. Ticketmaster Boston (617) 931 2000 New York City (212) 3077171

■VERONA
Paolo Olmi conducts the Royal Philharmonic Orchestra and London Symphony Chorus in a Rossini concert tonight in the Arena. Maria Chiara sings the title role in Aida tomorrow and Sun.

Nabucco on Wed and Sat has Piero Cappuccilli in the title role and Linda Roark-Strummer as Abigaille. Luis Lima is Rodolfo in La bohème on Thurs. Don Carlo can be seen on Fri.

Next Mon: Lorin Maazel conducts Porgy and Bess. From Wed to Sat this week in Teatro Romano, there are daily performances of two Orff ballets, choreographed by John Butler. Ends Aug 30. (45) 590109

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2130-2200 (Wed) FT Business Weekly – global business report with James Bollini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Monday August 17 1992

A two-horse race in the US

IF PRESIDENT George Bush hopes to be re-elected on November 3 he had better make a good speech on Thursday. He will be addressing fellow-Republicans at their convention in Houston, but he will also be watched by most of the American electorate and much of the world outside the United States. He needs to give a convincing answer to a single question – is there a reason why he should be returned to the White House for a second term?

Mr Bush was at his best during the Gulf war, but that is long over and President Saddam Hussein is still in charge of Iraq. He has sent a great many bills to Congress – on health, education, energy and other important matters – but he has not been able to persuade the American people of the value of his plans.

This may now change. Last week the president confirmed that his old friend, Mr James Baker, would resign as secretary of state and come to the White House as chief of staff. Mr Baker's particular strengths lie in the assembling of deals, and the presentation of the resulting packages as coherent and practical expressions of a logical strategy. Over the past four years he has deployed these skills to great advantage in the Middle East and elsewhere. His task now is to apply the same energy to domestic policy. The first intimations of how he proposes to proceed should appear in Mr Bush's acceptance speech in Houston.

Full attention

Mr Baker's task may be too much for even him to complete with success. As he leaves for the White House he is taking his entire inner circle of state department advisers and associates with him. It is likely that he will try to run foreign policy with one hand while seeking the re-election of Mr Bush with the other. Unfortunately, both jobs need the full attention of the individual in charge. In the way of these things the probable outcome is that the election campaign will quickly come to demand all of Mr Baker's time, and then some. Only events of domestic electoral significance – such as, say, a fresh provocation by Mr Saddam – will trigger an adequate American response. The rest of the world may have to wait until November 4, if Mr Bush gets back, or January, if, as the polls suggest, Mr Bill Clinton becomes president.

This is in part the consequence of a natural US preoccupation with its own internal problems, and in part a reflection of the uncertainty that is felt by foreign policy professionals since the collapse of the Soviet empire. Four years ago such matters were quite simply stated. The Republicans stood as the party of strong defence and staunch anti-communism, the Democrats were damned as unreliable. Now nobody is sure. As Dean Acheson might have said, America has lost an enemy, and has yet to find a role.

Positive attributes

Yet it is too soon to write Mr Bush off. Mr Clinton leads the president by around 20 points in most recent opinion polls, but the general expectation is that this advantage will slip away quite quickly, especially if this week's convention is a success. Mr Baker can be expected to bring some professionalism and discipline to the Bush campaign team. He should be able to insist on a strategy of projecting two or three positive attributes of the Republican candidate ("Leadership," and "trustworthiness" among them) while hammering home the message that Mr Clinton's expenditure plans cannot be put into effect without substantially higher taxation.

His difficulty is the recession. It did not exist when Mr Baker helped Mr Bush win in 1988. In that year the president came from behind and trounced Mr Michael Dukakis. A midsummer Democratic lead of 17 points quickly melted away.

The US mood was, however, different then. Some of the afterglow of President Reagan's years still existed, to the advantage of Mr Bush. There was not quite so much disenchantment with politicians in general and none with Mr Bush in particular. The candidates are also different. Mr Dukakis was not a first-rate campaigner; so far the strategies adopted by Mr Clinton have been highly successful. The contrast in the contenders for the vice-presidency has been widely noted. In short, Mr Baker may be a great help to Mr Bush, but even if he is, this looks like being a two-horse race, right down to the wire.

Need for light over Europe

IT IS still August – yet already, over Europe, a pall of pessimism seems to be descending. To the problem-racked countries of eastern Europe, the western half of the continent is starting to look less like a beacon of light, more like a rock against which hopes founder. Beset by their own difficulties of slow growth and rising unemployment, the established European democracies are not doing enough to buttress the countries which after 1989-90 broke free from communism. The main EC members, Germany, Britain, France and Italy, are for a mixture of political and economic reasons entering a phase of introspection and indecisiveness, just at the time when global vision and leadership are required.

The US during the next few months will have its ear cocked to the hue and cry of domestic politics. But Europe must not see US preoccupation with the hustings as an excuse for inaction. European problems require European solutions. If Europe's leaders fail to produce results, they cannot complain about growing American jibes at European impotence.

There are three reasons for the setbacks: lack of preparation, lack of generosity, and lack of competence. Into the first category falls the EC's dithering over the Yugoslav war. By unlucky coincidence, an intractable crisis on the Community's borders has coincided with an upsurge in its ambitions of assuming a post-cold war defence role. The EC's inability to prevent the apparent carve-up of Bosnia must inevitably lower those ambitions, or at least postpone their realisation until the EC has mustered the political consensus to support a common foreign and security policy worthy of the name.

After-shocks

The EC's economic treatment of the former Soviet Union and eastern bloc comes into the second category. The Community's external trade barriers discriminate against the goods which countries like Poland, Hungary and Czechoslovakia are most adept at producing; and – with the exception of Germany – it has failed to provide the financial resources needed to dampen the after-shocks of communism's collapse.

In the third area of shortcomings, EC governments agreed at Maastricht a far-reaching treaty on political and monetary union without having properly explained the implications for national electorates. The rethinking almost everywhere in the Community is welcome, and may, depending on how the French vote in next month's referendum, end up salvaging the treaty. However, part of the Maastricht rationale – along with the desire to fit larger Germany into a new European framework – was to present unity in western Europe as an antidote to instability in the east. Unfortunately, to the reality of fission in the east has now been added the threat of western fragmentation.

Balkan refugees

Britain, as a seasoned international operator taking the Community chair at a taxing time, has the task of steering the Community through the shoals. It is too early for a considered judgment on the UK's presidency. But, so far, the British government has shown a greater predilection for advancing its own interests than for encouraging an atmosphere for effective joint decision-making. One example would be its cautious reaction to calls from Germany for greater equality in sharing burdens caused by the Balkan refugees.

There is a need both for principled leadership and for a spirit of compromise in which national goals can be put aside in pursuit of overriding aims. Mr John Major is still a long way from showing that he can fulfil the expectations vested in him; the "flow of ideas" across Europe which his foreign secretary claims is turning in Britain's favour may end up causing them considerable difficulty.

Western Europe will not properly cure its malaise until there is a pronounced upturn in the economy. That will not happen quickly. In the meantime, if governments look over their national parapets, they will recognise an urgent need for action to shape Europe's common interests. The Community aspires to the ranking of a global political player. If it fails now, at a pivotal moment of challenge in its own backyard, it will have tarnished the idea of concerted action by west European governments.

American worries over competitiveness have put education and training on the political agenda, writes **John Gapper**

The high price of ignorance

As Republican party leaders gather today in Houston to try to rescue Mr George Bush's ailing presidential campaign, there is no more potent symbol of his ills than the state of US education and training. Mr Bush singled out improving education as his most important domestic task when he was elected. But four years on, the education system that was once treasured for offering the best chance of a college education in the world now strikes many Americans as wasteful and inefficient.

The Japanese politicians who questioned this year whether US workers were too ignorant to compete in the world economy thus touched a raw nerve. Mr Bush, who promises to come forward with new ideas for his "revolutionary" education programme, has backed reforms such as national testing of school pupils, but has not achieved enough to reassure voters. Mr Bill Clinton, his Democratic rival, has called for more radical measures. Among other things, Mr Clinton wants all high school pupils who do not enter college to have the chance of an apprenticeship.

America's tradition of open access to university and college education – started under the postwar GI Bill – remains a striking achievement. A greater proportion of workers in the US hold college degrees than in any other OECD economy – 19.2 per cent, compared to 11.5 per cent in Japan and 4.5 per cent in Germany. The growing worry is over the fate of the 67 per cent of the US population which does not enter any form of post-secondary education.

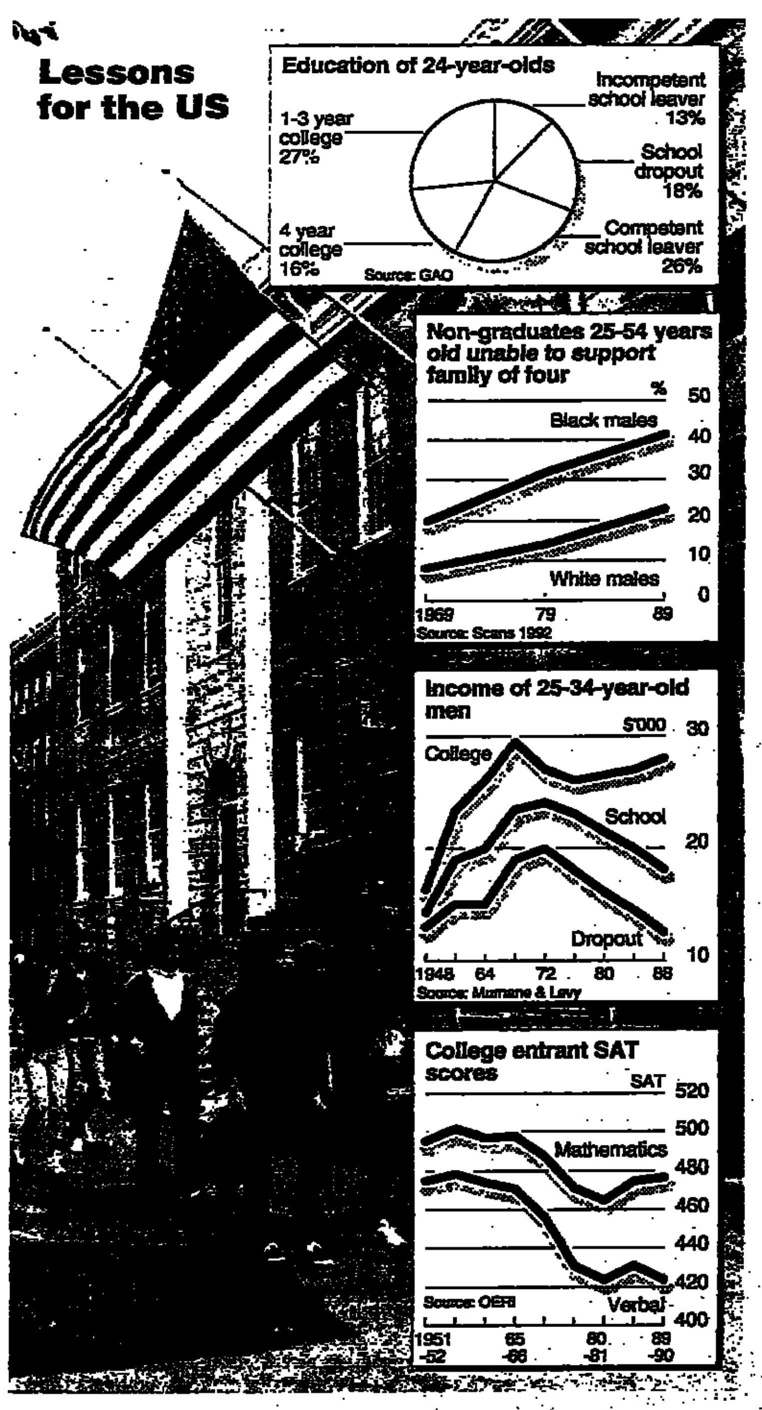
The quality of education and on-the-job training received by what has been dubbed the "forgotten half" of the US workforce has a number of clear flaws:

- School academic standards are often lax. Only a small proportion of pupils nearing high school graduation can accomplish a mix of writing tasks, and half cannot handle moderately challenging mathematical problems, according to the last National Assessment of Educational Progress. The first National Education Goals report for 1991 says that only one in five pupils displays basic competency in mathematics, and reports Japanese pupils scoring significantly higher.
- High school vocational education is often of poor quality, and has come to be regarded as a "dumping ground" for less able pupils. One study of 6,700 pupils taking vocational courses found that many were excluded from rigorous maths and science courses, and often had never read a poem or a play. Nor are pupils well-prepared for jobs by vocational classes: the Department of Education estimates that only a third of such education is used at work after leaving school.
- There are few apprenticeships for young people not entering college, and those that exist are concentrated in a few traditional industries such as construction. In 1989, there were 1.7m young people placed in apprenticeships with 500,000 employers in West Germany: the US had only 263,000 registered apprentices from a population four times as large. Many employers resist apprenticeships because they dislike the principle of joint union administration.
- American companies carry out less training of adult workers than foreign competitors, even compared with plants based in the US. Newly-hired workers in US car plants receive under 50 hours of training each, compared with more than 250 hours for workers in Japanese car plants in the US. Of the estimated $30bn that American companies spend on training adults, two-thirds goes to college-educated managers. Most is spent on orientation courses for recruits.

There are two reasons why the US is worried about education and training standards. The first is a gradual increase in the demands placed on employees in jobs that do not require post-secondary education. Many employers who have installed new technology, or initiated quality improvement efforts that require greater involvement from entry-level workers, have made awkward discoveries about the limited competence of workers with high school diplomas.

The second reason for concern affects US society as a whole. Despite the public attention given to trying to reduce the rate at which teenagers drop out of high school before graduation, a high school diploma is of shrinking value in the labour market. While the real wages of college-educated employees increased over the past 20 years, those of male workers with only high school diplomas fell by 25 per cent between 1973 and 1987.

Underlying this fall is the loss of well-paid jobs for men in industries such as steel and car making: the unionised blue-collar jobs which used to form the backbone of US employment. It is hard for a school-leaver to find work in a steel mill these days. He or she is far more likely to be offered an insecure and poorly-paid service job. One result is that 23 per cent of white high school-educated males now earn too little to support a family of four by themselves.



The need for educational and economic changes to address such problems is not disputed. The US government has called for more companies to adopt a "high-performance" model of work organisation, giving more responsibility to entry-level employees. It has also backed educational reforms aimed at improving preparation for work. Mr Clinton differs only in supporting more radical efforts to make employers train, and to overhaul education for those not entering college.

But the country's educational traditions mean that reform involves two difficult tasks: the first is to raise the number of high-skilled jobs that can provide well-paid employment. Some companies have reorganised work or invested in new technology only to find that their employees are too badly educated to cope. But most US employers have stuck with old methods: one study last year estimated that only 5 per cent were altering working methods in ways which required higher skills of entry-level workers.

Mr Ray Uhalde, an assistant secretary at the Department of Labour, says the history of assembly-line work in the US means managers are more inclined to automate work than seek higher productivity by upgrading skills. "They know how to make production more efficient by chopping up work, and you tend to go with what is natural and comfortable when you are thinking of ways to raise productivity," he says.

The US faces problems in persuading companies to adopt different strategies of work organisation. The economy has one of the highest rates of adult job mobility in the OECD: only 35 per cent of male workers in their late 30s have been with their current employer more than 10 years in the US, compared with 58 per cent in Germany. The fact that workers are likely to leave quickly reduces the incentive for employers to spend money on training.

The second task facing the US is improving school education, and finding better ways to prepare young people for skilled employment. American employers are increasingly critical of schooling standards: "My sense is that not many schools are producing people with the mix of skills we need. They might be producing people with barely manageable, get-by sort of skills, but that is it," says Mr Harvey Greenberg, Polaroid's director of education and training.

Until now, many employers have displayed little interest in how well pupils are educated at school. Nor have they been willing to back apprenticeships, or give incentives for young people to undertake further vocational education. Compared to the close links forged between Japanese employers and schools, and the involvement of German employers in the dual system, most US companies have been indifferent to the education of their non-managerial workers.

Some observers argue that this indifference has played a crucial role in the poor standards of US high schools. Mr John Bishop, an economist at Cornell University, says there is little incentive for school pupils to work hard because employers neither bother to ask what they did at school, nor reward academic competency. One study found that employers had asked to see records of high school achievement in only 14 per cent of cases where a school-leaver was hired.

There is now growing interest among both employers and educators in forming closer links. The Educational Testing Service is working on an initiative to give employers access to a computerised record of high school achievement. Los Angeles, one of the largest US school districts, is trying to stimulate employer interest in its school standards by guaranteeing any company dissatisfied with a school-leaver that he or she will be offered free re-education.

But such efforts only scratch the surface of the enormous task of educational reform. Despite the current wave of interest in apprenticeships as an alternative to flawed academic schooling, there is little chance of apprentice places growing rapidly enough to match the German dual system. "Schools operate on a demographic cycle and employers on a business one, and they are hard to match," says Mr Richard Kazis of consulting group Jobs for the Future.

The best hope lies in better forms of vocational education that include a broad academic grounding. America has a substantial asset in its network of community colleges, which provide academic and vocational courses leading to two-year degrees. Most educators and employers agree that the US needs to combine a more rigorous school system with better incentives for students to enter – and graduate from – community colleges.

So America faces a difficult struggle in raising the demand for, and the supply of, better-educated workers. The alternative is to accept the growing dispersion of wealth between the college-educated and others. For a country formed in the promise of equal opportunity for all, such acceptance is virtually unthinkable. However, the current political clamour over education and training indicates the status quo will not be quietly tolerated.

Yet the means of achieving change appear elusive. The division of responsibility for education among thousands of local school districts is mirrored by the determination of each American employer to define its own training policy. It will take a more inspiring call to action than Mr Bush has yet mustered to unify this diverse body. And without such unity, America cannot solve the education and training flaws that now hamper its economic progress.

This is the first in a series of articles about US education and training. The author is a Harkness Fellow of the Commonwealth Fund, New York

Twin tasks to stop the strife

The future of Bosnia must be resolved or other ethnic conflicts could erupt, says **Judy Dempsey**

When Prime Minister John Major holds an emergency meeting of the British cabinet tomorrow, he will be faced with probably one of the most important decisions of his career.

Against a background of mounting public pressure, he will have to decide whether to commit ground troops to protect humanitarian aid convoys in Bosnia-Hercegovina. And since Britain is the current president of the European Community, Mr Major will be expected by his EC colleagues to provide a sense of leadership in deciding how to deal with the war in Bosnia, and how to prevent it from spreading. Neither task is easy.

British officials are hoping that the resolution passed last week by the United Nations Security Council, which stipulated that "all necessary means" would be used to safeguard aid convoys in Bosnia, will be enough to force the Bosnian Serbs to lift their siege of several towns.

For the moment, Mr Radovan Karadzic, head of the Serbs in Bosnia, appears determined to allow the aid convoys unhindered access to some towns and cities. This is understandable. The last thing Mr Karadzic wants is a large-scale military intervention. Western diplomats and academics point out that it is in Mr Karadzic's interests to comply with the UN resolution.

"Karadzic has everything going for him now," said Mr James Gow, a specialist on Yugoslavia at the London-based centre for Defence Studies at King's College.

"He will look good if he allows the convoys through. But more importantly, he has got what he wanted. Even though the Serbs make up 33 per cent of the 4.3m population, Karadzic's men now control 70 per cent of the territory of Bosnia-Hercegovina. He is in a position to sue for peace."

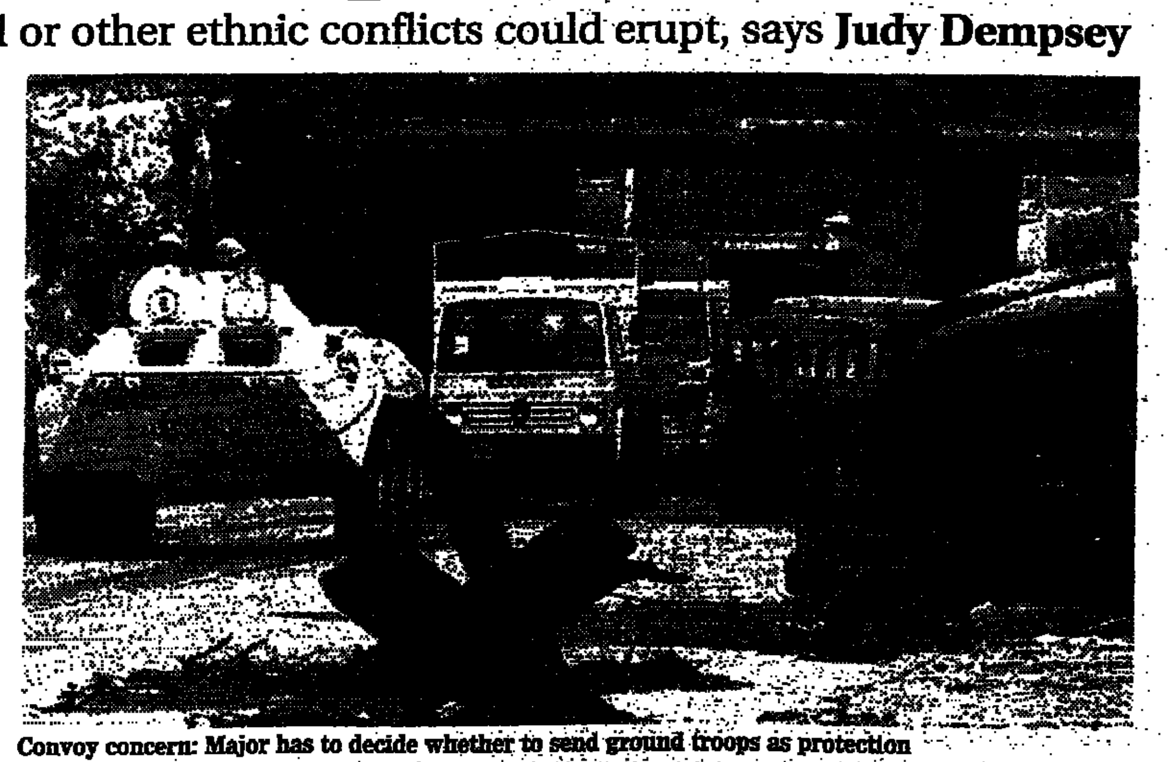
The Croats, who make up 17 per cent of the population of Bosnia, are also in a position to sit down at the negotiating table. With the backing of Franjo Tudjman, the Croatian president, Bosnia's Croats now control a swathe of territory in western Hercegovina, in the west of the republic. Like the Serbs, Bosnia's Croats, led by Mr Mate Boban, have carried out their own form of ethnic cleansing. Their war aims – the eventual annexation of parts of Bosnia-Hercegovina to Croatia – have nearly been fulfilled.

Indeed, so confident are Mr Karadzic and Mr Boban that they held their own talks in Brussels at the weekend, following the collapse of the official negotiations headed by Lord Carrington, chairman of the EC-sponsored peace conference on the former Yugoslavia.

At the unofficial talks on Saturday both leaders agreed to a ceasefire on those frontlines in Bosnia where Serbs and Croats have been fighting. In addition, they put forward their own version of a constitutional arrangement for the future status of Bosnia. The plan – supported by the EC – will be presented to a new UN/EC-sponsored conference in London which is scheduled to start on August 26, chaired by Mr Major. It suggests that Bosnia should be partitioned between its three constituent communities.

The problem with this arrangement is that it leaves the Moslems – who accounted for 43 per cent of the population before tens of thousands fled the republic – with a tiny area of territory near Sarajevo, the Bosnian capital.

"The Moslems have been boxed into a corner," a Turkish diplomat at the UN said. "They want to defend their homeland. But if they fight, regardless of the UN resolution and regardless of the fact that Bosnian Serbs will allow the aid convoys through, they will be accused by the international community of being unco-operative and obstructive to any peace plan," he explained.



Convoy concern: Major has to decide whether to send ground troops as protection

"If the Moslems and the Bosnian president, Alija Izetbegovic, agree to the carve-up of their republic by Croatia and Serbia, they will be disowned by their own people. It is a terrible dilemma for them. In reality, the independent republic of Bosnia-Hercegovnia no longer exists. Force has destroyed it."

Thus, tomorrow's cabinet meeting, and the challenges facing the London conference, are daunting. Both meetings will have to decide whether Bosnia can exist as an independent and sovereign state. If this principle is accepted, then arrangements will have to be made to allow the mostly Moslem refugees to return to their homes.

This would mean that the UN would have to set up safe havens in Bosnia for returning refugees, said western diplomats. Western governments would also have to provide substantial financial assistance to rebuild the homes destroyed in the war. However, returning to the *status quo ante* is acknowledged to be impossible.

"The problem with any of these options is that they are too late," said Mr George Schopflin, an east European specialist at the London School of Economics. "The west, particularly the UK, has responded with weakness and cowardice. The Moslems have no homes to which they can return. The international community, which has adopted the politics of appeasement, has allowed might to prevail over right.

"This will encourage potential authoritarian regimes to emerge in the republics of the former Soviet Union, and in eastern Europe," he added. "Who will stop them from carrying out their own forms of ethnic cleansing?"

A US diplomat in Belgrade said the depth of revenge and hatred was now so great in Bosnia that it would be "extremely difficult" for the three ethnic communities to live peacefully together again. "The war has radicalised every ethnic community. The tragedy is that we are witnessing the establishment of ethnic ghettoes in Bosnia which will be accepted as one of the solutions towards bringing peace to the republic."

Meanwhile, as the EC and the UN ponder the fate of Bosnia, diplomats continue to urge western governments to stop the war spreading in the Serb-controlled southern province of Kosovo and in Macedonia.

"Macedonia will become a pawn between Serbia and Greece if we do not recognise its independence – and defend that independence," a US diplomat said. "If the London conference really wants to tackle the problem of the Balkans, it will have to address the whole question of minority rights."

Break with tradition in a quest for former glory

Trafalgar House faces a difficult future, says **Tony Jackson**

The assets of Trafalgar House, the UK conglomerate, read like a roll-call of famous names from the past: Cunard, John Brown, Davy, Scott Lithgow, the Ritz. A year ago, Trafalgar's standing on the UK stock market displayed the same faded grandeur. Though its shares had underperformed the market for years, it was still valued at almost £2bn and had just raised more than £300m from its shareholders.

Since then the shares have tumbled, the dividend has been halved and the company is worth just £390m. Subtract from that the cash raised last year, and the market is saying that all those famous names, plus £800m-worth of housebuilding land and commercial property, are worth £78m.

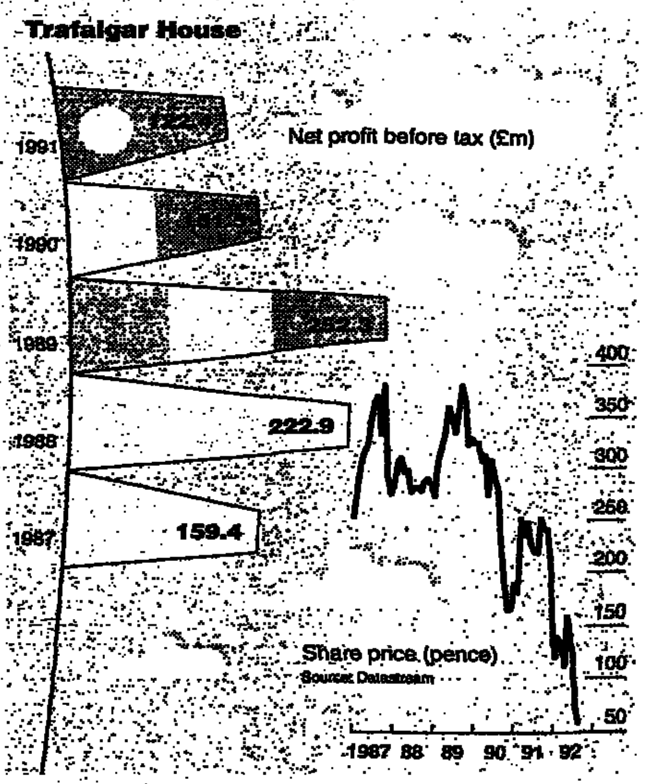
As one City analyst privately remarks, this kind of valuation suggests the market is no longer worried about minor matters such as cuts in the dividend. It is starting to ask whether Trafalgar might go under. The simple answer to that is no. Whether Trafalgar can ever regain its former glories is another matter.

Since its foundation in 1956, Trafalgar has been not so much a normal conglomerate as a loose collection of household names. At one time these included the Daily and Sunday Express, which were hived off in 1982. They still include housebuilder Ideal Homes and contractor Trollope & Colls.

How did such an apparently solid business get into such a mess? The simple answer is one which has become sadly familiar across the UK corporate landscape: cashflow.

Insofar as Trafalgar ever had a traditional business, it was property and housebuilding. In the 1980s, these were dangerously deceptive markets to be in. Year by year, as property prices rose, housebuilders, property dealers, brewers and retailers found they could generate cash by the simple expedient of buying and selling their property assets. When the asset inflation stopped, at the tail end of the decade, they had no means of servicing their borrowings: unless – like the brewers and some of the retailers – they could still generate cash from their normal operations.

This suggests the market is no longer worried by minor matters like dividend cuts



In Trafalgar's case, it is not clear how cash-generative its other operations ever were. Whatever the history, the pressures have lately become acute. In particular, last year's acquisition of the engineering contractor, Davy, has caused a cash outflow this year of more than £100m.

Davy, one of the world's most distinguished engineers, had been brought to its knees by a single disastrous contract on a North Sea oil rig. Trafalgar paid just £60m for it, then wrote its net worth down to minus £131m.

But that was a mere bookkeeping exercise. Trafalgar then discovered the reality: that Davy was seriously behind in paying its bills. It had to inject more than £100m of working capital.

"I have to say," says Sir Eric Parker, Trafalgar's deputy chairman and chief executive, "that in my experience since the mid-1960s of taking over UK quoted companies, you generally find things slightly worse than you anticipated. In Davy's case, the unexpected bit was the cashflow."

Otherwise, he claims, Trafalgar's underlying cashflow is not too bad. "Our construction and engineering side is very cash positive. There's very little capital expenditure – mostly computer-related stuff for the engineering side. There are whole sections of that business which work on negative working capital. That will throw up very positive cashflow in 1993-94. The hiatus in 1992 is entirely to do with Davy.

"In housing, we have a land bank which is too big for our present business, so we don't need to buy any land. On each sale we recover some of the underlying book value of the land, even if the business is not making any profit. And in commercial property, we have almost no developments going on at present. That means the only cash outflow is interest charges on the debt.

"In hotels, the cashflow is negligible. But the cruise ship business is positive - the only cash outflow is the improvements you have to make to the ships. Across the group,the pressure on cashflow has emanated from having two legs of the business – leisure and property – not generating the cash they should have done: that, plus Davy."

Trafalgar is certainly in a tight spot, but its finances look safe enough. Its agreements with its bankers are:

- Net worth should be at least £500m. Last year's figure was £716m. This year it will be lower, but not much (though it is worth noting that the figure has been falling since 1989).
- Net borrowings should be no more than 1.75 times net worth. The borrowing figure at this year-end, including some £50m of off-balance sheet debt covered by the agreement, will be only around £500m.
- The average interest charge should be covered at least twice by profits before provisions. Last year it was covered more than three times.

Besides that, Trafalgar has lines of credit with its bankers – committed facilities, in the jargon – totalling £800m and good for another five years.

But its future remains problematic. The kind of conglomerate Trafalgar represents is these days deeply unfashionable. The new fashion is to strip companies back to their original business and concentrate on what they know best. The snag in Trafalgar's case is that UK commercial property and housebuilding are so moribund that no business would concentrate on them if it could possibly help it.

Trafalgar's strategy is rather the opposite: to concentrate on the businesses it bought most recently and knows least about. These are the engineering contractors John Brown and Davy, acquired in 1986 and 1991 respectively. Cunard and the Ritz will probably be sold off as soon as their markets recover, or possibly demerged. By the late 1990s, property and housebuilding may have gone too. Looking 10 years ahead, says Sir Eric, the only essential part of the company's strategy is to be like the giant US contractor, Bechtel.

The trouble about that industry is the risk involved in huge contracts. Both John Brown and Davy ultimately owed their loss of independence to such contracts going wrong. Trafalgar, says Sir Eric, is the best in the business when it comes to risk control. But, as he concedes, the big risky turnkey contracts are where good profit margins are to be found.

Nevertheless, he insists, "our engineering and construction business is in the books for virtually nothing. This year it will produce operating profits of £100m or so. If you look at the fancy earnings multiples in process engineering elsewhere in the world, that could theoretically be worth another £1bn on our shareholders' funds."

Conglomerates such as Trafalgar are these days deeply unfashionable

In theory, Trafalgar's shareholders should be profoundly glad to hear it. The reality is slightly different. Their once-proud company still has a value. But however far they look into the future, it becomes no easier to establish what that value really is.

LETTERS TO THE EDITOR

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A backward looking argument

From Mr Mark A Frankcom.

Sir, Dr Sally's letter (August 10) is surprising, coming from an institution which has as its goal the promotion of forward looking strategic thinking. Dr Sally's arguments relate to the past, not the future. I am not sure the stakeholders in Bayer, Hoechst and BASF would agree that Germany is today "a conducive environment". High wages, environmental costs which outweigh the benefits they bestow and a legislative; constitutional environment that prevents the exploitation of biotechnology – hardly a positive picture. Many observers of today's chemical landscape have suggested that the three chemical companies face equal traumas to those which ICI is already setting about tackling. It has been noticeable that only in recent years have these companies begun to deal with their sprawling bureaucracies and reduce headcounts.

Even without a level playing field – equivalent electricity prices and a similar cost of capital to name only two – I would be hesitant to pick them as tomorrow's winners.

Mark A Frankcom,
Greystone Farm,
Hall Lane,
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Lancashire WN8 7BD

Buying into eastern Germany: the dream and the reality

From Mr Anthony Rosen.

Sir, Christopher Parkes's admirable article ("German privatisation", August 11) highlighted the gulf between dream and reality as far as the proposed sales of industrial and commercial propositions in eastern Germany are concerned.

The situation is, if possible, even worse as far as agricultural land is concerned. The Treuhand boasts of having some 450 large farms for sale. When one follows this attractive statement up, one finds that they have actually sold only one farm and that they are in a position to sell, perhaps, only one more.

The German government announces that purchasers who wish to start new dairy units in eastern Germany will have made available "unlimited milk quota". In reality this means enough for 60 cows – a totally uneconomic number – or if in partnership the new owner may receive milk quota for 120 cows.

The Treuhand puts the "sales" of its 450 farms in the hands of a firm of accountants which has probably never sold a square metre of land let alone 450 farms, each in excess of a thousand acres.

The Treuhand in London conveys one message, in Berlin another and yet a third view is given by the Treuhand in the *Länder*.

The basic problem as far as eastern Germany's agricultural land is concerned lies in the fact that the overall land-use policy has become a political football between those who believe that the five eastern *Länder* have a significant structural advantage in their large-size farms and the Bavarian attitude of so many German ministers who believe that the 20-acre peasant smallholding should be the norm for the whole of Germany.

In the meantime potential land purchasers should ignore the siren calls of the Treuhand and their British selling agents.

Anthony Rosen,
chief executive,
Feenix Farming,
Rosehill,
Arford, Headley,
Hampshire GU35 8DF

Pension age that is not supportable

From Mr R H Price.

Sir, Bryan Freake (Letters, August 11) accuses the Confederation of British Industry of failing to appreciate the implications of current retirement patterns in its support for an equalised state pension age of 65. But there is little depth to his own vision when he argues for an equalised age of 60 which seeks to enrich pensioners in future by placing an impossible cost burden on the next generation of workers and their employers.

It is true that during periods of labour-shedding recently, employers have seen early retirement as one of the more acceptable methods of reducing the workforce. But the CBI's proposal seeks a common pension age that will meet the UK's labour market needs in the second decade of the next century and beyond. Older workers will play an increasingly important role as the proportion of younger people in the labour force falls. Paying pensions as early as 55, as MSF suggests, would encourage an early retirement culture the nation could in no sense afford. In terms of cost and the imperatives of the labour market, an equalised age lower than 65 is unsupportable. It also goes against employees' own wishes to work on later in life, encouraging the very age discrimination that Mr Freake is rightly anxious to avoid.

Richard H Price,
deputy director-general,
CBI,
Centre Point,
New Oxford Street,
London WC1A 1DU

Taking issue on currency

From Mr J R Scott.

Sir, Re Observer's "Pioneers under fire" (August 13):

Q: How much longer are the Scots (and the Northern Irish) going to be allowed to carry on this unpatriotic practice – ie, issuing their own notes?

A: Until the currency notes of the UK are no longer issued by the Bank of *England*.

James R Scott,
15 Old Quay Road,
Holywood,
Co Down,
Northern Ireland

Poor argument for employers to scrap disabled quota scheme

From Mr Steve Smith.

Sir, The Confederation of British Industry's statement (Letters, August 10) that more employers must be made aware of what disabled people can offer in the labour market is to be welcomed. However, we strongly disagree with the view that because employers cannot make the quota scheme work it should be scrapped.

Quota schemes do work elsewhere in Europe – most notably in Germany, which has implemented a very effective quota scheme of 6 per cent. However, such schemes need the full support of government and in the UK the government does little to enforce it: three-quarters of employers fail to meet the UK's more limited 3 per cent target, yet there have only been some 10 prosecutions since the quota was implemented in 1944.

Mr Gilbert of the CBI argues that one problem with the scheme is that disabled people themselves object to being categorised by the registration process. The Spastics Society's own research shows that, in fact, the reason disabled people do not register for the quota scheme is that they have little faith in its effort on behalf of government and employers to make the most of the untapped pool of talent represented by unemployed disabled people.

Steve Smith,
campaigns and parliamentary affairs department,
The Spastics Society,
12 Park Crescent,
London W1N 4EQ

Correction of an imbalance in industrial legislation is overdue

From Mr D Rooney.

Sir, Re David Goodhart's article "Stewards shop for new members", may I put a hypothetical question?: "How do you market an excellent product when the retailers have told the potential consumers that it is 'forbidden fruit'?"

For the problem facing potential trade union members is "fear". I have been involved in a recruitment campaign at a company based at Bathgate, near Edinburgh, and I can readily understand any employee being apprehensive about joining a trade union if their employer is "anti-union" (in most companies this is the case).

It has to be recognised that the alleged union "barons" of the 1960s and 1970s have been replaced in the 1980s and 1990s by the employers' "boot boys" – oblivious to the seeds of conflict and destruction that they sow.

If an employee joins a trade union and is victimised as a consequence (an unheard-of situation, of course?), it is extremely difficult to take successful legal action against the employer.

The present legislation totally supports the employee who chooses to remain a non-member. Trade unions have learned to live with this situation.

What is unacceptable, however, is that when 60 per cent, 70 per cent or even 80 per cent of a work force join the same trade union and ask for recognition, and are refused, they have no legal redress in this regard.

There is a need for legislation based on former section 11 of the Employment Protection Act 1975, which gave trade unions an avenue to claim recognition on behalf of a group of work people who had been taken into membership and meaning to the legal right "to belong to a trade union".

Potential trade union membership is, in my opinion, substantial, and work people of today are not driven by ideals of egalitarianism. They want support and assistance to negotiate "the basics", ie personal contacts, pensions, performance-related pay, shift working/pay, health and safety etc, all of which feature to a considerable extent in their working life.

Trade unions are by far the best vehicle for maintaining the "checks and balances" necessary for an efficient and harmonious industrial society. The need to correct the existing imbalance in industrial legislation is long overdue.

D Rooney,
divisional organiser,
Amalgamated Engineering and Electrical Union,
St David's House,
145 Morrison Street,
Edinburgh EH3 8AL

OBSERVER

Democrats can spare a dime

■ Out of all the lies and half-truths flying around Houston's Republican convention, one political myth can be laid to rest. The Republicans, not the Democrats, are the real poor folk.

There are three Democrat millionaires for every Republican, according to a recent survey of senators' wealth in Washington's Roll Call newspaper. Even after adjusting for the Democrats' Senate majority, it is more than twice as likely that a Democrat senator will be a millionaire, than his Republican opponent.

It is partly explained by the fact that some Democrats come from formidable political dynasties, such as the Kennedys and Rockefellers. Indeed, Chuck Robb – hubby of Lynda Bird Johnson (daughter of LBJ) – tops the millionaires' club with a $19.5m fortune. However, self-made men like defence guru Sam Nunn and Lloyd Bentsen, the former vice-presidential nominee, have made it into the Democrats' millionaires' club. Amongst the Republicans, former presidential contender Bob Dole is perhaps best-known.

But amid all this conspicuous wealth – more than one in four senators is a millionaire – there are still some poor Democrats. Joe Biden, chairman of the Senate judiciary committee, has a negative net worth of $170,000, and sank deeper into the red last year. No wonder he had to plagiarise Neil Kinnock. Obviously, he couldn't afford his own speech writer.

Happy holidays

■ Not all of John Major's cabinet colleagues have answered his call to interrupt their holidays for emergency talks on the Bosnian crisis.

Douglas Hurd and Malcolm Rifkind will, like Major, be returning to London for tomorrow's meeting of the Cabinet's overseas and defence committee. Sir Nicholas Lyell, the attorney-general, will also be present. But both Michael Heseltine and Norman Lamont won't put in an appearance. The Prezza has a good excuse. To return from his Fiji hideaway for just a day would take him two or three days.

But eyebrows are being raised at Lamont's decision not to interrupt his Tuscan idyll. Ministers flatly reject cruel suggestions that the chancellor's reappearance would deliver another dent to consumer confidence.

Customer service

■ Watch those water bills. Observer has just received a press release from the old North West Water board, which now bills itself as the "world's fourth-largest water and wastewater undertaking". It is spending, or rather "investing", more than £800,000 on an "intensive fellowship programme" for five employees. They are being sent to the US for two years to study the latest developments in artificial intelligence.

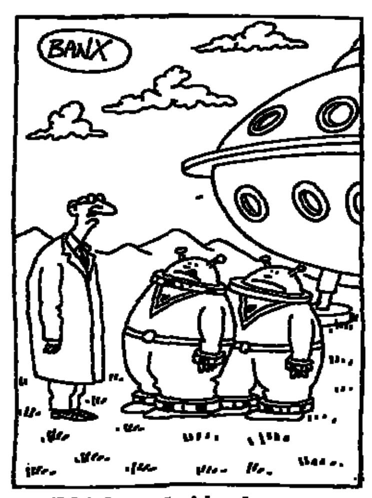
Water on the brain

■ Still on the subject of big-spending water companies, water watchdog Ian Byatt's recent grim warning that water prices could double in real terms by the year 2005 has already begun to prompt some zany debate about the cost of water quality.

John Gummer, the agriculture minister who made his daughter eat a very public hamburger to show that there was no risk of mad cow disease, has been one of the first to throw his weight behind Byatt's common-sense views. But Gummer may regret his enthusiasm.

Writing in yesterday's Sunday Express, he asks: "Do we really want to double our bills just to make our water 20,000 times purer than the vegetables we cook in it?" No doubt the minister knows what he is talking about, but it is hardly a ringing endorsement for Britain's vegetables.

Gummer's comments are not much better than those of the Perrier-drinking classes who complain that every glass of water coming out of a London tap has been drunk six times already. Have they not heard of the hydrological cycle? Ever since the dawn of time, all the water in the world has been going round in a circle. Every time they raise a glass of water to their lips, says one expert, they risk imbibing recycled dinosaur pee.



"Which trade bloc have we landed in, Earthman?"

Funny accounting

■ Why are accountants Price Waterhouse increasing the starting salaries of their graduate in-take by 20 per cent, to £14,000 a year, in the middle of the worst recession since the 1930s?

Given that the dole queues are full of eager young graduates who would love to train as PW bean counters, it doesn't make sense for PW to break ranks and start paying above the odds for staff. Surely they are not going to add the extra hundreds of thousands of pounds of this generosity onto clients' bills?

If PW were a bank, this sort of behaviour might make some of its depositors nervous.

Business as usual

■ It was the reforms of the new South Africa which allowed the Springboks and the All Blacks to renew their rugby rivalry over the weekend after a gap of 11 years. The day itself, however, was very much an old South Africa affair.

The overwhelmingly white crowd of 70,000 took the opportunity to deliver a large raspberry to politically correct sporting administrators who had tried to prevent playing of the national anthem – Die Stem van Suid Afrika (The voice of South Africa) – and displays of the national flag, two symbols with a strong apartheid flavour.

Johannesburg's Ellis Park stadium was completely awash with South African flags and twice rose to deliver spontaneous renditions of Die Stem, sung with a gusto the sombre tune seldom enjoys. The second occasion coincided with what was supposed to be a minute of silence for victims of recent political violence in the country.

Not surprisingly, an angry ANC is threatening to review its support for Saturday's match against the Wallabies.

Overtime

■ Heard the one about the businessman who requested in his will that his ashes be incorporated into an egg-timer and presented to his local tax office?

He wanted to go on working for the Inland Revenue after his death.

FINANCIAL TIMES
Monday August 17 1992

President promises 'revolutionary' health, education and tax policies

Bush hits at 'do nothing' Congress

By Nancy Dunne in Washington

PRESIDENT George Bush yesterday laid out a re-election strategy focusing on attacks on the Democrat-controlled Congress whose "sorry record" he intends to link directly to his opponent, Governor Bill Clinton of Arkansas.

In a pre-recorded interview with Mr David Brinkley of ABC News, Mr Bush said he would take as his model former Democratic President Harry Truman, who won re-election in 1948 by fiercely attacking a "do-nothing" Congress.

Against the background of a Washington Post/ABC News poll yesterday showing that 61 per cent of Americans do not know what Mr Bush wants to do in a second term, the president sought to portray himself as having been too busy in Washington dealing with Congress to lay out an agenda. Congress had "let me down and the American people", he said.

As the Republican party faithful began gathering in Houston for their party's convention, which begins today, Mr Bush defended moving Mr James Baker from his role as secretary of state into the White House to assist his re-election campaign.

Turn right for the Astrodome ....Page 3

"He's been at my side in every political battle, and I think there's so much at stake in terms of what we can do to help this country, that I wanted to have this trusted friend and adviser, with a proven record, running the White House."

The president also said he would come forward with new ideas for his "revolutionary" education programme, health care reform, and taxes, so that this year voters would have "a major choice".

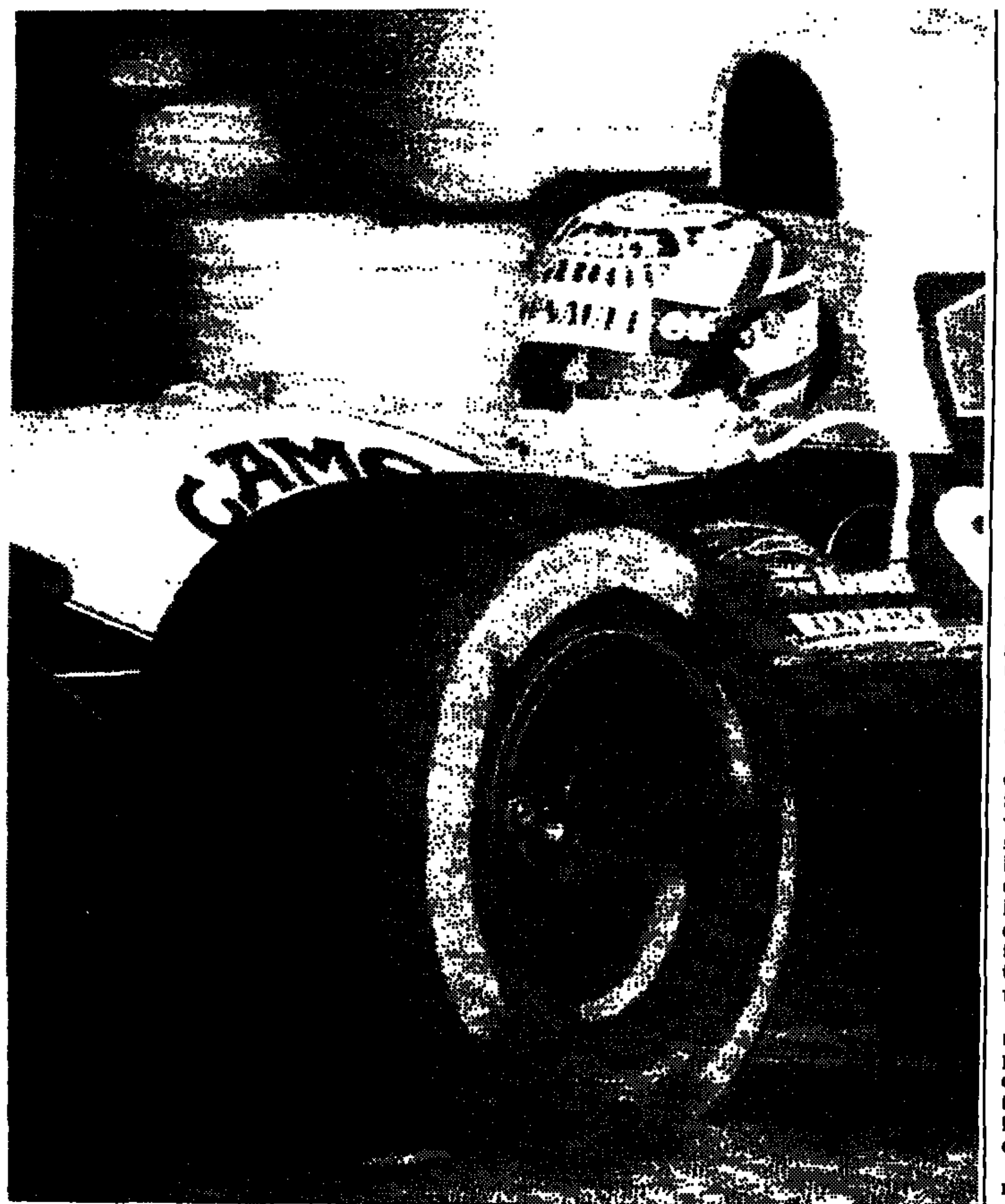
He acknowledged this had been "the strangest political year I have ever seen". But, he believed: "People will come to their senses, and, in the final analysis, will say George Bush has demonstrated that he has the courage and the knowledge and the trust to sit in the Oval office."

Convention speakers in Houston were preparing for a concerted assault on Mr Clinton. Mr Rich Bond, the party chairman, said Mr Patrick Buchanan, who unsuccessfully challenged Mr Bush in this year's Republican primaries, would "tear the bark" off the Democratic candidate in his speech today.

There were also signs, however, of potential discord over the issue of abortion. Mr Robert Dole, the Senate minority leader, backed away from the party's platform calling for a constitutional ban on abortion, seeking to draw a line between the party's stance and "the real world."

He also expressed scepticism about tax-cutting proposals from the party's fiscal conservatives. Considering the massive budget deficit, tax cuts could not be made without spending cuts or a spending freeze, he said.

Editorial Comment, Page 8
Observer, Page 9



Britain's Mansell wins Formula One championship

Nigel Mansell yesterday became the first British Formula One world motor racing champion for 16 years when he finished second in the Hungarian Grand Prix.

The race was won by Ayrton Senna of Brazil, the defending champion, but Mansell needed only four points more than his Canon Williams team-mate Riccardo Patrese, who retired from the race with a blown engine.

Mansell, who was runner-up in 1986, 1987 and 1991, secured the championship after only 11 of the season's 16 races.

The last champion from Britain was James Hunt in 1976.

Waigel seeks to reassure on D-Mark

By David Waller in Frankfurt

MR Theo Waigel, the German finance minister, sought to reassure Germans yesterday that there would be "no automatic doing away with the D-Mark".

The government took the worries of ordinary people about European monetary union and the eventual abolition of the D-Mark very seriously, he told the mass circulation Sunday newspaper Bild am Sonntag.

There would be a full debate in both houses of parliament before the government took a final decision on European monetary union, and the future of the currency would be decided only with the support of parliament, Mr Waigel said.

"Even if one day a common currency comes to Europe, the familiar imprint of the D-Mark will definitely remain on one side of the new notes and coins," he said. The newspaper's sister daily title, Bild Zeitung, had lamented the passing of what it called "our lovely money" after the signing of the Maastricht treaty on monetary and political union last autumn.

The minister's remarks reflected the sensitivity in Bonn political circles over wide disenchantment with the move towards a single currency, but fall short of bowing to popular demand for a referendum.

A poll by Der Spiegel news magazine after the Danish vote against the Maastricht treaty showed almost three-quarters of west Germans favouring a referendum, as well as a majority against political union combined with a common currency.

Mr Waigel also said there would be no new tax surcharge to pay for the costs of German unification. However, he said car drivers would have to pay a toll to help meet the costs of rationalising the country's railway system. Regional governments in the west of Germany would have to pay more to finance the rebuilding of the east.

● The recent fall in the German inflation rate – from 4.3 per cent in June to 3.3 per cent in July – was no basis for a cut in German interest rates, Mr Otmar Issing, the Bundesbank's chief economist and member of its policy-making directorate, told Welt am Sonntag yesterday.

It was essential to bring money supply growth down to the 3.5 to 5.5 per cent growth target set by the Bundesbank, and even a 3.3 per cent inflation rate was not a level with which the central bank could feel happy. The middle-term objective was to get back down to inflation "with a 2 before the comma", he said.

US threatens to bomb Iraq over access

Continued from Page 1

groups in the south of the country who have been attacked by Saddam Hussein's forces, including helicopters and fixed-wing aircraft. Reports from Iraqi opposition groups say Baghdad is trying to root out dissidents and army deserters in the southern marshes.

Iraq responded in typically aggressive fashion over the weekend. Mr Hamed Youssef Hammadi, the Minister of Information, said in an interview released yesterday: "If attacked we will fight to the last man without regard for the consequences." He told the German magazine Der Spiegel that Iraq also stood by its territorial claim to Kuwait and would not rule out the use of force to achieve it.

● President Hosni Mubarak of Egypt, a key US Arab ally during the Gulf War, made a surprise visit to Kuwait yesterday for talks with the emir and other leaders, adds Tony Walker.

Arab and western officials said it appeared the Egyptian leader wanted to reassure nervous Gulf states of Egypt's continuing support against possible Iraqi belligerence.

Mr Mubarak's visit to Kuwait followed that of the Kuwaiti foreign minister, Sheikh Salem al-Sabah to Cairo and Damascus last week, prompting speculation that Gulf states may be reviving plans for an Arab deterrent force.

Egypt and Syria joined the American-led coalition which ousted Iraq from Kuwait. They, together with the six Gulf states, were signatories after the war to what became known as the Damascus Declaration, to provide a framework for economic and strategic co-operation to resist regional security threats.

The Gulf states, however, hesitated over the possible presence of Egyptian and Syrian soldiers on their soil. Delays in reaching agreement on such a step have caused irritation in Cairo and in Damascus.

UN aid shipment to Somalia looted by local militia

Continued from Page 1

headquarters in Mogadishu: "The security situation is critical. I can see them looting as I speak to you."

The official said the rest of the shipment was effectively being held to ransom by Somali port officials and gunmen who were demanding $140,000 for customs, clearance, security and other fees – $100,000 more than the official had expected to pay.

Some Somali officials in Kismayo were said to be calculating their charges at an exchange rate of 5,800 Somali shillings to the dollar, instead of the normal market rate of 7,400.

In recent days, an escalation of looting and banditry has severely impeded relief operations. On Friday three trucks carrying 150 barrels of fuel for were hijacked between Elman port and Mogadishu. On Saturday a Red Cross official said 10 out of 25 trucks were looted right outside the gates of Mogadishu port.

"Nothing can be distributed to the poor and those in most need unless everybody is disarmed," said Mr Husein Yusuf of the Red Cross. Mr Yusuf said at least 10,000 UN guards were needed to safeguard relief operations instead of the 500 blue-berets expected in Mogadishu before the end of the month.

World Weather

		°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Boulogne	F	21	70	Frankfurt	F	22	72
Algiers	S	31	88	Brussels	C	22	72	Genova	S	23	73
Amsterdam	F	21	70	Budapest	S	26	79	Gibraltar	F	24	75
Athens	S	30	86	Buenos Aires	F	18	64	Glasgow	F	18	64
Bahrain	S	37	99	Cairo	S	36	97	Helsinki	F	18	64
Bangkok	R	31	88	Cape Town	S	17	63	Hong Kong	F	30	86
Barcelona	S	27	81	Caracas	F	28	82	Innsbruck	S	24	75
Beijing	C	26	79	Casablanca †	S	25	77	Inverness	C	17	63
Beirut	S	29	84	Chicago †	S	12	54	Islamabad	C	28	82
Belfast	F	15	59	Cologne	C	20	68	Istanbul	S	28	82
Belgrade	S	27	81	Copenhagen	F	19	66	Jakarta	C	32	90
Berlin	F	21	70	Corfu	S	30	86	Johannesburg	S	21	70
Biarritz	S	25	77	Dallas †	S	17	63	Lisbon	S	30	86
Bombay	R	26	79	Dublin	C	16	61	London	F	17	63
Bordeaux	F	25	77	Dubrovnik		-	-	Los Angeles †	S	20	68
				Edinburgh	F	17	63	Luxembourg	F	20	68
				Faro	S	30	86	Madeira	C	21	70
				Florence	S	30	86	Madrid	S	30	86

		°C	°F			°C	°F			°C	°F
Majorca	F	30	86	Oporto	S	21	70	Tenerife	F	24	75
Malaga	S	28	82	Oslo	R	14	57	Tokyo	S	31	88
Malta	S	30	86	Paris	F	25	77	Toronto †	C	16	61
Manila	R	29	84	Prague	F	22	72	Tunis	F	31	88
Melbourne	F	15	59	Reykjavik	C	10	50	Valencia	S	29	84
Mexico City	C	24	75	Rhodes	S	28	82	Venice	S	26	79
Miami †	F	27	81	Rio de Janeiro	C	27	81	Vienna	S	24	75
Milan	S	27	81	Rome	F	29	84	Warsaw	S	21	70
Montreal †	F	16	61	Salzburg	S	23	73	Washington †	Dr	17	63
Moscow	R	19	66	S Francisco †	S	14	67	Zurich	S	22	72
Munich	S	24	75	Seoul	C	27	81				
Nairobi	C	22	72	Singapore	F	29	84				
Naples	F	29	84	Stockholm	F	21	70				
Nassau	C	32	90	Strasbourg	C	23	73				
New Delhi	F	28	82	Sydney	S	19	66				
New York †	R	17	63	Taipei	F	33	91				
Nice	S	27	81	Tangier	S	33	91				
Nicosia	S	30	86	Tel Aviv	F	32	90				

Temperatures at midday yesterday
† Noon GMT temperatures
C - Cloudy Dr - Drizzle
F - Fair Fg - Fog H - Hail
R - Rain S - Sunny
Sl - Sleet Sn - Snow
T - Thunder

THE LEX COLUMN

Dollar dilemma

There remains something baffling about last week's concerted intervention to support the dollar. The currency closed in Europe on Friday at DM1.4675, not much changed from the level of DM1.4610 at which the intervention occurred. At least the central banks seem to have put a brake on the dollar's fall towards its historic low of DM1.4430. Were it to slip below that point the dollar could begin a seemingly unstoppable decline. Yet the intervention was all the less convincing since it flies in the face of interest rate factors for which the central banks are also responsible.

Recent dollar weakness stems above all from the market's belief that the interest differential between Germany and the US may be set to widen. Continuing economic disappointment may prompt the US to cut rates: money supply worries may provoke an increase in Germany's internationally sensitive Lombard rate. Granted the German economy is slowing and wholesale prices are falling, but the Bundesbank drained liquidity from the money market last week, a move which could signal concern about the volume of Lombard borrowing by the banking system.

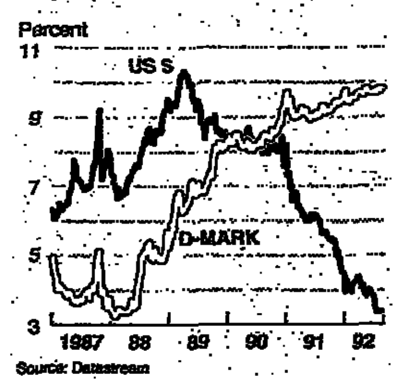
Perhaps the intervention was motivated by the fragile state of world stock markets earlier in the week. The dollar's fall was also putting the D-Mark under upward pressure within the ERM. Still more significant may have been the Federal Reserve's desire to ward off a rise in US long rates which are every bit as important to economic recovery as short rates.

Doubtless US bond yields, which are already being pushed up by election worries, would move smartly higher if the dollar did breach its previous low. The intervention came in the middle of a quarterly US Treasury funding programme in the bond market. It offered at least some comfort to foreign investors worried about the exchange risk in holding US bonds. But, if that is a serious preoccupation for the Fed, it is hardly likely to provoke the exchange market by cutting short rates further. On the US side at least, the market's worry about a wider trans-Atlantic interest differential may be overdone.

Japan

With the equity market back to 1986 levels, investors are beginning to ask whether Japanese shares represent good value. On some valuation measures Japanese industrial companies do indeed stand direct comparison with their international competitors. Unfortunately the best support comes from exotic investment criteria. For example the ratio of a company's market capitalisation to its sales gives a fairly crude rating, but has the benefit of excluding differing accounting conventions. On that basis Toshiba has a market value of only 0.4 times its sales, while General Electric sells on 1.5 times, GEC 0.6 and Siemens 0.5. True, this says nothing about the value Toshiba extracts from sales, but it starts to argue the shares are not hugely expensive. Similarly the price to cash flow measure shows firms such as NEC, Hitachi, and even Nippon Steel holding their own.

3mth. euro-currency rates



Source: Datastream

The snag is that investors cannot eat a price to cash flow ratio, and it has become fashionable to focus on low Japanese dividends. Equity yields rose as the market fell, but there are good reasons for dividend payments to remain below western levels. Some 60 per cent of Japanese shares are held by other quoted Japanese companies; with dividends taxed at more than 50 per cent, increasing dividends becomes an expensive exercise.

At the heart of the debate about value lies profitability. It is a cliche that Japanese companies until now pursued market share at the expense of profits. With strong balance sheets, many of the larger companies might still be tempted to stick with the culture that puts corporate size above stock market performance. But pressure from banking partners who face large losses on their share portfolios is slowly shifting attitudes. Companies are moving on from cost control to rationalising their range and extending product life-cycles. Matsushita is cutting back from 50,000 to at most 40,000 product types this year, while at the same time lengthening the time between model replacements.

Others have made strategic change. Fujitsu has withdrawn from the US facsimile market and Toshiba has pulled out of audio products. In all cases the focus has shifted away from commodity items such as consumer durables and towards higher added value areas. But change is slow; profitability will improve, but Japanese consensual management means it will not arrive overnight. Investors looking for value in Tokyo must tread warily.

Preference shares

General Accident's proposed fixed-rate preference share issue prompts the thought that, at the level of simple arithmetic, either the company or investors in such paper seem to get a bad deal. When Commercial Union raised £100m preference capital in May its ordinary shares were yielding 6.2 per cent. The prefs were priced to yield 11.6 per cent gross. On these numbers, they looked like expensive capital for the company and a good deal for investors.

But on even modest dividend growth assumptions, prefs start to look a poor equity investment over the longer term and, conversely, cheap capital for companies. Assuming annual dividend growth of 8 per cent, Commercial Union ordinary shares will offer a higher return than the prefs from the tenth year. This does not neccessarily imply that institutional buyers of prefs are extraordinarily gloomy on dividend growth. Instruments which offer a high yield and a known cash flow have value as a match for fixed liabilities such as annuities. The choice for most institutions is not between equities and preference shares, but between preference shares and gilts.

Preference shares look like cheap equity for companies because they are not really equity at all. For example, some preference shares are cumulative – missed interest is rolled-up for payment at a later date. For insurers and banks, which dominate the UK market, this debate is of little concern. The instruments are recognised as core capital by their regulators and help to boost balance sheet ratios. For non-financial companies the question is more serious. If auditors or the market refuse to recognise preference shares as equity, why not raise long-term debt and pay a lower interest rate instead?

FINANCIAL TIMES
COMPANIES & MARKETS
Monday August 17 1992

INSIDE

C&W talks could lead to Mercury listing

Cable & Wireless, the telecommunications group, is looking for a strategic partner to take a stake in Mercury Communications which could result in a separate listing for its subsidiary. Mr James Ross, left, chief executive, said: "We are looking for a strategic partner to invest in Mercury Communications. A long-term option would then be to seek a separate listing for Mercury." Page 12

Airline merger stalled

Canadian Airlines International has stalled controversial merger talks with Air Canada to consider a buy-out proposal from a group of its employees backed by several Canadian provincial governments. Page 14

Pilots at Delta Air Lines have refused to make wage concessions until they have reviewed the company's finances. Page 14

Solvency ratio debate hots up

The debate within the UK insurance industry about the value of the solvency ratio, one of the principal tools used to measure the financial strength of non-life insurance companies, is set to hot up following a sharp rise in Royal Insurance's ratio. Page 12

Antwerp sale in restructuring

BP Chemicals has continued the restructuring of its petrochemicals operations with the announcement of the proposed sale of its low density polyethylene plant at Antwerp. Neste Chemicals, the acquisitive state-owned Finnish group, is to buy the 120,000-tonne-a-year operation. Page 12

Gilts aimed at domestic buyers

Tomorrow, the Bank of England will announce the full details of its next auction of gilt-edged stock, scheduled for August 26. This is the third auction in a row to be aimed at domestic — rather than foreign — investors. Page 16

Market Statistics

Companies in this issue

Citicorp bows to closer regulator scrutiny

By Patrick Harverson in New York

CITICORP, the biggest US bank, has bowed to closer scrutiny from banking regulators, joining 530 other US banks which require special attention because of financial difficulties with bad loans and shrinking capital.

The bank announced on Friday that it signed a memorandum of understanding with the US Federal Reserve and the Comptroller of the Currency as long ago as February agreeing to accept closer oversight by the regulators.

Citicorp, which is thought to be the only big US money-centre bank to have subjected itself to special oversight in this way, has been under strong pressure from regulators for the past two years to improve its finances.

According to Mr John Reed, the bank's chairman, the memorandum did not impose any new constraints on the bank's activities, but merely embraced Citicorp's publicly announced plans to strengthen its balance sheet with asset sales, securities offerings and dividend cuts.

Through its reorganisation and capital building programme, the bank has already added $1.5bn of new capital so far this year, raising its main Tier One capital-to-assets ratio (the main capital adequacy measure used by US bank regulators) to 4.25 per cent, up from 3.71 per cent a year ago. Over the same period Citicorp has also boosted its reserves against problem loans by more than $1bn.

Although a memorandum is the mildest form of reproach available to regulators, Mr John Reed, chairman of Citicorp, and other bank officials wasted no time saying the agreement was not an indication that Citicorp's problems were escalating.

Evidence of how closely Citicorp is being watched by regulators was provided on Friday, when the bank announced it had been forced by regulators to reduce its previously announced second-quarter profit from $171m to $143m to account for an expected flood of mortgage prepayments by homeowners in the wake of July's interest rate cut by the Federal Reserve.

The bank said it had planned to recognise the prepayments in its third-quarter results.

Richard Gourlay analyses the challenges facing John Clark at BET

Cleaning up in business services

Mr. John Clark has achieved a great deal in the 16 months since taking over as chief executive of BET, the UK's most diversified business services company.

In spite of having to halve the dividend after a profits collapse last year, he has led the company from the emergency room where it was confined after a £1bn jaunt down the acquisition trail in the late 1980s.

Crucially last week he went a long way towards completing the rehabilitation of the balance sheet by redeeming £200m of auction market preferred stocks through a rights issue.

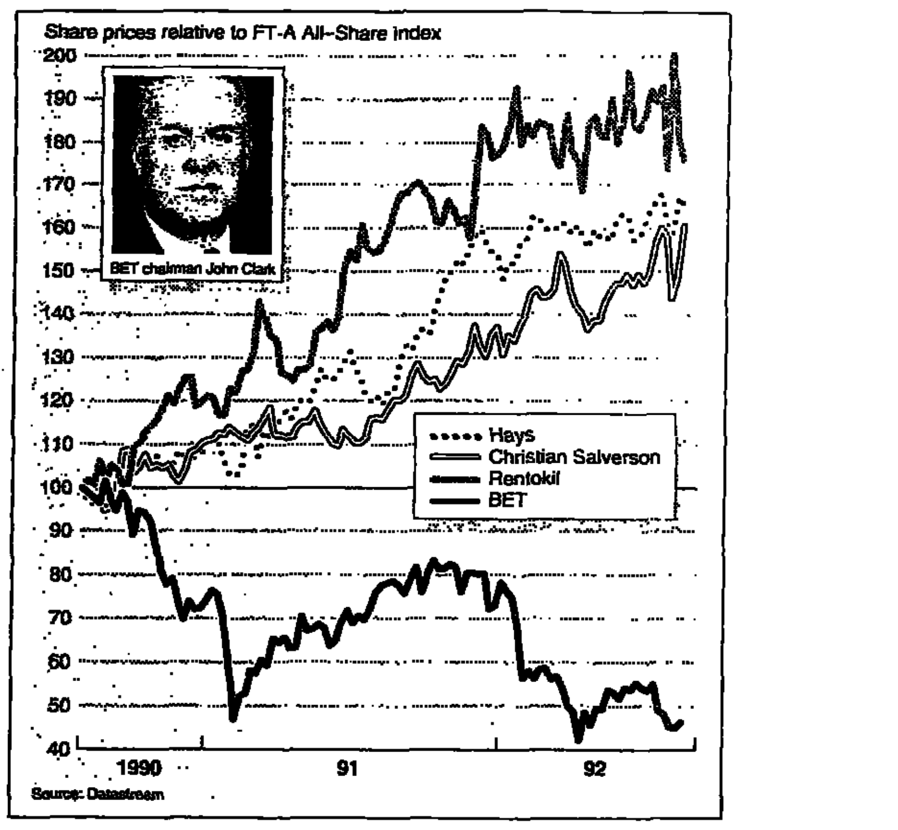
But Mr Clark may have only completed the easy part. In one of the toughest recessions the UK has seen, BET faces the challenge of sorting out its five divisions and 110 operating companies.

Even if this rehabilitation is successful – and Mr Clark must have been hoping for more help for his cyclical businesses from a little economic recovery – BET is in danger of being left behind by competitors like Hays Group, Christian Salvesen and Rentokil.

While these more focused companies are pushing into higher growth areas for the future, Mr Clark's time will be consumed in a struggle to sort out the the legacy he inherited from his predecessor, Mr Nicholas Wills.

"I think the management is doing the right things to get improved returns from existing businesses but has BET got the kind of businesses to deliver long-term growth?" asks Mr Bob Carpenter, analyst at stockbrokers Kleinwort Benson. "Every company is a prisoner of its circumstances and history."

According to Mr Ronnie Frost, chief executive of rival Hays, the City did not fully realise how deeply BET was in trouble when Mr Clark took over. "He is doing a hell of a job in incredibly difficult circumstances," he says. "But he now has to put the businesses into controllable cores so he can tell a story that makes sense rather than just say: 'have business services group, will do anything'."



Source: Datastream

Up for grabs, Mr Clark says, is a business services market that should grow as recession forces more companies to contract out and is worth £40bn in the UK and $800bn (£420bn) in the US.

But before BET can properly reposition itself for this market it has two problems to address.

First of all there is the clutch of companies losing money and deeply exposed to the construction industry. Boulton & Paul, the joinery business, lost money last year and the contract plant business has little to differentiate it from a multitude of other companies not able to rent out scaffold planks and poles.

More fundamentally, many of BET's businesses, though cash generative, show little growth potential and are in mature markets with few barriers to entry.

In distribution, for example, BET is mainly involved in transporting bulk chemicals and foodstuffs.

Hays, on the other hand, has almost entirely moved beyond the simple movement of bulk products, winning dedicated delivery contracts for Waitrose, Tesco and Scottish & Newcastle Breweries.

Likewise with document handling, Hays has built up an extremely cash generative document storage, data delivery and overnight mail service in a growing market. By way of contrast, two of BET's strongest cash generators – its washroom towel business and textile rentals – are both under strong margin pressure from a plethora of 'me-too' competitors.

BET's dire financial condition also forced it to dispose of promising businesses. Biffa, the waste management company, may have been sold for a high price to Severn Trent in 1991 and may have helped stave off insolvency. But it deprived BET of one of the few companies with exciting potential, according to Mr Paul Beaufrere, business services analyst at stockbrokers James Capel.

In spite of the once widely aired belief that business service companies were recession-proof, few companies have escaped. But a look at the better long-term prospects for BET's competitors in the sector provides a pointer to the troubles Mr Clark faces.

Personnel services, for instance, has performed badly for Hays and is now the weakest of its three business legs. But when recovery arrives Hays' focus on recruiting accountants and other professionals, arguably gives it a more interesting long term future.

BET, on the other hand, is far more dependent on the placing of temporary and relatively unskilled staff which, however profitable when in rude health, is a far more competitive business.

When looked at as a whole, both Hays and Salvesen are also better placed to handle the vagaries of business cycles; both have three core businesses groupings, one each in what can broadly be seen as growth, maturing and recovery phases. BET's near halving of operating profits last year to £146.1m - before £90m of exceptional reorganisation costs - clearly shows that BET has none of this balance.

Mr Clark recognises that refocusing BET must to a large extent follow the house-keeping in the group's existing businesses. With the balance sheet in better shape, there may be opportunities to make small bolt-on acquisitions but only after the disposal programme is further advanced, he says.

At its simplest, turning the group around in the short term will involve even more cash generation than last year when debt was cut from £425m to £107m; Mr Clark hopes this will cut gearing to zero by year-end. And there will be even tighter cost controls and greater emphasis on enhancing financial returns.

But cleaning up is going to be a painful process. What is more, the longer the recession continues, the slower the process will be, allowing BET's more balanced and better managed rivals to continue to wipe the floor.

Market falls lead to UK bid difficulty

By Maggie Urry in London

RECENT instability in the UK stock market has led to takeover bids involving paper offers running into difficulty as fund managers seek to reduce their exposure to equities.

Corporate financiers say institutions are unwilling to underwrite cash alternatives for bids. All-paper offers are also proving unpopular with fund managers, many of whom see a cash bid as one way of reducing their equity holdings.

Two current bids – the Kalon Group bid for Manders (Holdings) and the T Cowie bid for Henlys Group – were judged by the stock market on Friday as unlikely to succeed.

In the paint industry battle, Kalon's offer of 17 of its shares for 6 Manders, valued each Manders share at 232.3p at Kalon's closing price of 82p, while Manders' share closed well below that at 211p. Kalon introduced a partial cash element to its bid when it increased the offer on August 7. This bid is of 14 shares plus 300p in cash for every 6 Manders shares, suggesting that each Kalon share should be valued at 100p. Under these terms – with cash accounting for just over a fifth of the offer value – Manders shares are worth 241.3p at Friday's closing Kalon share price, and Manders is valued at £90m.

However, Manders largest shareholder, the British Steel Pension Fund with a 22 per cent stake, is refusing the offer because it does not want to take Kalon paper. Kalon's offer closes on Friday this week.

Meanwhile, in the takeover battle in the motor traders sector, moves on the stock market on Friday suggested the offer was expected to fail. Cowie's shares rose 3p on Friday to 118p, while Henlys fell 1p to 74p.

Cowie's all share offer of 7 shares for every 10 Henlys shares equates to 82.6p on each Henlys share, and values the group at £31.3m.

Cowie also introduced a cash element when it increased its offer last week, adding 40p to its original offer of one Cowie share for every two Henlys. Under these terms – with about a quarter of the price in cash – Henlys shares are valued at 79p each. This bid's final closing date is September 1. Manders said in its original defence document that only four all-share takeover bids have succeeded in the UK in the last five years.

PERSONAL VIEW

A way out of recession

By Gavin McCrone

As pressure mounts on the UK government over interest rates and the exchange rate mechanism (ERM), one of the oddest features of the recent parliamentary session was the sight of Conservative backbenchers arguing for devaluation, a policy which the Tory party has historically opposed.

The truth is that neither an ERM realignment nor lower interest rates would be an easy answer to Britain's economic woes.

Sterling's downwards adjustment within the ERM would be so damaging to its credibility that higher interest rates would follow; while a cut in interest rates combined with sterling's withdrawal from the ERM would cause a substantial depreciation of the currency.

This would result in price increases for imports and serious inflationary knock-on effects.

Because the British economy is today both more open and more integrated with its European partners, devaluation would be a less effective weapon than it was 20-30 years ago, or than it still is for the US. Devaluation aside, there is still much the government can do.

Some clues can be found by comparing the impact of the recession on southern England and Scotland.

Gross domestic product north of the border has held up better than in the rest of the country.

One consequence is that unemployment in Scotland has risen proportionately less than elsewhere in the UK.

More significantly, house prices have continued to advance modestly in Scotland, whereas in south-east England they have fallen by some 30 per cent since their peak at the end of the 1980s

The reasons behind the recession's uneven impact have to do with the housing market. Scotland has just over 50 per cent of its housing stock in owner occupation compared with nearly 70 per cent in England as a whole; the figure for the south-east is even higher. In the buoyant late-1980s, the government's encouragement to home ownership, coupled with easy availability of mortgages following financial deregulation and the shortage of private rented accommodation, forced house prices to rise sharply, especially in the south-east.

The reasons behind the recession's uneven impact have to do with the housing market

Easy credit fuelled the boom, as people increased their consumption expenditure.

Inevitably, when the government raised interest rates in 1988 to control the credit explosion, the south was hardest hit.

Property prices fell and thousands of homeowners found themselves with mortgages exceeding the value of their house. As recession began to bite many could no longer afford repayments and house repossessions have risen sharply. By contrast, Scotland has a much lower percentage of home ownership. The relative house price stability there has meant that the impact of recession on consumer expenditure has been less severe than in England.

Many argue that a period of increased general inflation will be necessary to rectify this imbalance between asset values and outstanding debt, before recovery can get under way. This seems a counsel of depair. Certainly something must be done to put some life back into the housing market.

Further encouragement to home ownership through the raising of mortgage tax relief might give short-term benefit but at the cost of perpetuating an expensive distortion and compounding the core problem. A mortgage benefit scheme would be a better idea but would be costly.

But the real oddity of the housing market is the virtual absence of a private rented sector, a surprising anomaly after 13 years of a Conservative government pledged to the free market.

Elsewhere in Europe, where there is little local authority owned housing, private rented accommodation plays a significant role, both subsidised for social housing and on a straight commercial basis.

Two factors killed the UK private rented sector: rent controls, which have now been removed; and competition from the subsidised publicly-owned sector and from owner occupation, the latter benefiting from mortgage tax relief. As a result, the quality of private rented housing has deteriorated.

What is needed to lift the private rented sector and the overall housing market are fiscal incentives of the kind outlined by the housing inquiry chaired by the Duke of Edinburgh and published by the Joseph Rowntree Foundation in June 1991.

To ensure these incentives help to generate recovery from the present recession they would need to be on a sufficiently large scale. This could probably be achieved only if financial institutions could be persuaded to invest in the sector and if the incentives were targeted at social as well as commercial housing.

Critics argue that increased government spending on housing will push up an already large public sector borrowing requirement (PSBR).

But the PSBR is largely a product of the recession which this expenditure would be aimed at ending. Increased state spending on housing would in turn attract much-needed investment from a previously untapped source, helping to upgrade a poorly-maintained housing stock; it would improve labour mobility, essential to the health of the economy; above all an enlivened private rented sector would help to stabilise the housing market both in boom and recession.

The author is Professor of Economics at Glasgow University

Economics Notebook will return next week

Unit trusts faced with hedging restrictions

By Richard Waters in London

BRITISH unit trusts, which manage some £57bn ($108bn) have been effectively barred from hedging their investment portfolios following guidance from a City of London regulator. The unofficial guidance caught fund managers unawares and has led to a review of their use of derivatives markets.

The guidance, issued at a private conference for trustees recently by a staff member of Imro, the investment regulator, means managers of unit trusts are not allowed to use derivative instruments except in rare circumstances.

Mr Graham Dunnachie of Imro told trustees of unit trusts that their fund managers should only buy derivatives based on particular market indices if there is at least a 95 per cent correlation between that index and their own investment portfolio.

That means the manager of a portfolio of UK shares could not use the FT-SE 100 futures contract traded on Liffe unless his own portfolio matched the FT-SE 100 index almost exactly. Such a correlation is only followed by specialised indexed funds.

The ruling, aimed at preventing fund managers using derivatives for speculation rather than hedging, creates particular problems for international fund managers, who generally have investments spread across a number of markets.

"I don't think people at Imro have any idea of what derivatives are about," one unit trust fund manager said last week.

Telecommunications group seeks strategic partner

C&W talks could lead to listing for Mercury

By Roland Rudd

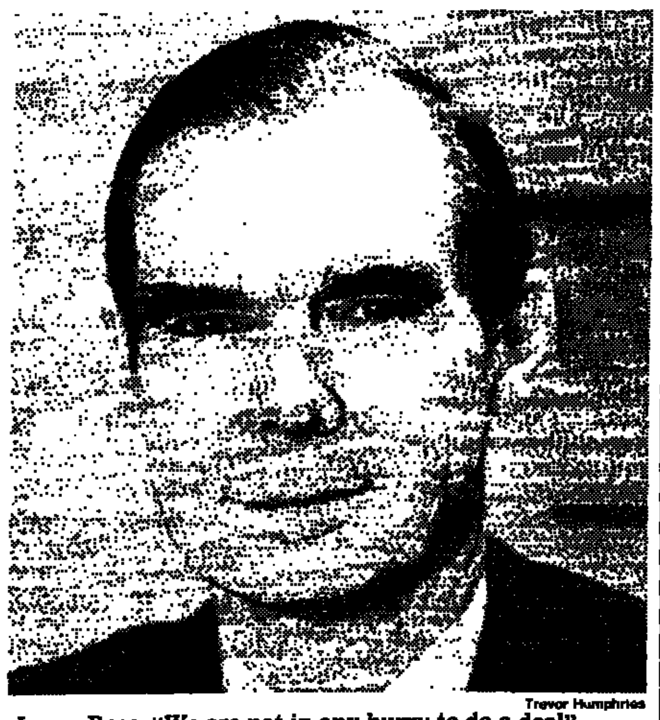
CABLE & WIRELESS, the telecommunications group, is looking for a strategic partner to take a stake in Mercury Communications which could result in a separate listing for its subsidiary.

Mr James Ross, chief executive, said: "While Mercury does not need a link-up with another company we are looking for a strategic partner to invest in Mercury Communications.

"This would enhance its value within the group and would ensure the market valuation of Cable & Wireless properly reflected the value of Mercury. A long-term option would then be to seek a separate listing for Mercury."

Cable & Wireless is currently in negotiations to form a partnership between Mercury and US West, the North American Telephone company.

Fears that US West would not receive the regulatory permission to take a stake in Mercury because it holds an international licence have so far proved unfounded.


Trevor Humphries

James Ross: "We are not in any hurry to do a deal"

While Mr Ross declined to comment on any talks that may be taking place, he outlined the reason for seeking a partner for Mercury.

"We believe a strategic partner for Mercury would link its long-distance services with a local network and an equity injection could be used either to repay debt or make further acquisitions. We are, however, in no hurry to do a deal".

An enhancement of Mercury's value would make a separate listing more likely in the long-term since by selling a stake to another group it will have established a market price.

The Hong Kong Telecom subsidiary of Cable & Wireless has its own listing on the Hong Kong, New York and Pacific stock exchanges.

The talks with US West underline the importance that Cable & Wireless attaches to finding a strategic partner for Mercury to challenge the dominance of BT in the UK.

As one of the "baby bell" US regional companies born in the aftermath of the break-up of American Telephone and Telegraph in 1984, US West would need permission to take a stake in Mercury in order to participate in international services.

The Federal Communication Commission, the US regulatory authority, said waivers to participate in international services had been given to "baby bell" companies in the past and would probably be given in the future.

Negotiations between the two companies may be prolonged. Cable & Wireless is also negotiating with US West to take a stake in TeleWest, its cable television joint venture in the UK.

TeleWest, which provides local telephone services, is a joint venture between US West and TeleCommunications, the US cable television group.

The inclusion of a third party in the negotiations is one of the reasons why the talks are likely to be prolonged.

Solvency ratio debate starts hotting up

Richard Lapper discusses the reaction to Royal Insurance's restructuring move

THE DEBATE within the insurance industry about the value of the solvency ratio, one of the principal tools used to measure the financial strength of non-life insurance companies, is set to hot up following a sharp rise in Royal Insurance's ratio after its restructuring last week.

Royal announced on Thursday that it was transferring ownership of its life insurance subsidiary from the general insurance sub-holding to the parent non-insurance holding company. This released funds of £547m and allowed the general insurance business to liquidate debt and financed an increase in its net assets.

Although at group level the overall asset and liability position remained unchanged, Royal said the solvency ratio – net assets as a percentage of non-life premium income – of its general insurance business had increased from under 30 to a comfortable 40 per cent.

The move was criticised as "cosmetic" by some analysts. Mr Stephen Bird, of Smith New Court, the securities house, points out that it means Royal is now presenting its solvency on a different basis to other companies in the sector. More generally, after recent losses and declines in asset values have eaten into the industry's strength and increased the need for closer scrutiny, analysts are beginning to question the value of the indicator.

The logic of the solvency ratio seems straightforward enough. The stronger a company's capital base the less chance there is of it being unable to pay insurance claims, and the more insurance policies it can sell. The volume of premium income acts as a kind of proxy for the scale of risk being assumed.

But the ratio has a number of shortcomings. For a start, the definition of what constitutes an adequate ratio varies widely.

Industry regulators insist on a minimum of between 16 and 18 per cent, but are likely to press for corrective action long before this point is reached. The market – insurance brokers, analysts and investors in insurance companies – has gradually become less conservative about the level it regards as adequate. During the 1970s, a ratio of less than 50 per cent was considered worrying. More recently the level of acceptability has fallen to as low as 30 per cent.

"There's been a general recognition that from a shareholder's point of view too much solvency can depress your rate of return on capital," says an executive with one leading UK insurer. "It is a moving target to some extent," says Mr Youssef Zaia of Morgan Stanley, another securities house.

Regulatory and market assessments of the assets that can be taken into account for the calculation vary. UK regulators insist on a very precise and complex definition of admissible assets, with limits on particular categories of assets. For example, if an insurance company had invested a quarter of its assets in one single company, for solvency purposes it would only be able to take into account a proportion of these.

Regulators are also only interested in the business conducted by the operating insurance company. By contrast in assessing their own solvency, companies may include assets held at group level. Commercial Union takes the value of its extensive life insurance businesses outside the UK, including those registered in the name of its large Dutch subsidiary, Delta Lloyd. It also brings the value of a UK "non participating" life assurance fund into the picture, which contributes a further £90m to net assets and boosts solvency to 42.5 per cent.

By including the value of the life business which it has "sold" to its group holding company, Royal too has converted its life business into an asset for its general insurance business. On the other hand Sun Alliance, the strongest insurer (with a ratio in the mid-fifties according to analysts), Guardian Royal Exchange (about 40 per cent) and General Accident (38 per cent) do not include extensive life insurance businesses when they make calculations.

The ratio has also been criticised because it fails to adequately indicate the real level of risk a company is running. Companies can, in effect, be penalised for taking measures to reduce risk.

All other things being equal, an increase in premium rates, for example, will lead to higher premium income and a drop in the solvency ratio. On the other hand a company cutting premiums to win market share might be insuring more risks for the same premium income. This increase of risk would, however, not be reflected in a falling solvency margin.

The measure also fails to differentiate between classes of risk on an insurer's books. The risks incurred in insuring a motor car are much less than those in insuring an oil rig, for example. Yet £1 of premium earned from either policy counts for exactly the same in the solvency calculation.

"It is a very wide measure that doesn't take into account different risk exposures," says Mr Paul Found of Commercial Union.

BP continues restructure of chemicals

By Paul Abrahams

BP CHEMICALS continued the restructuring of its petrochemicals operations with the announcement of the proposed sale of its low density polyethylene plant at Antwerp.

Neste Chemicals, the acquisitive state-owned Finnish group, is to buy the 120,000-tonne-a-year operation.

Terms were not disclosed. However, with low density polyethylene prices at about DM1.17 a kilo, the plant's turnover would be about DM140m (£49.6m). It makes tubular polyethylene for wire and cable insulation and packaging materials.

BP Chemicals said the sale was part of its efforts to focus its polyolefins operations on areas of competitive strength. The company would concentrate on ethylene derivative production where it could use cheap gas rather than naphtha feedstocks. It is currently building a 330,000-tonne-a-year plant at its Grangemouth complex.

The company said the sale would have no effect on the south Wales Baglan Bay ethylene plant that supplies the Antwerp polyethylene business.

A transitional agreement has been agreed between the groups so that BP Chemicals will supply ethylene for two years. Industry observers believe an option exists for the company to close a 120,000 tonne train at the Baglan Bay site. There is another 210,000 train there. As many as 120 workers have already been made redundant.

Neste, Europe's second largest polyolefins manufacturer, already has a joint venture with Petrofina called FinaNeste which has more than 1m tonnes ethylene capacity at Antwerp. The group also has polyethylene plants in Finland, Sweden and Portugal.

BP Chemicals said between 250 and 300 of its 900 staff at Antwerp would transfer to Neste as part of the deal. A further 100 jobs would be lost.

In a separate deal, Neste is also buying BP America's performance polymers business at Hackettstown, New Jersey. Its 40,000 tonne a year plant makes polyethylene and other polymers and employs 125 people, all of whom will transfer to Neste. Financial details were not given.

The sales follow BP's announcement earlier this month of a strategic alliance with Enichem of Italy in styrene and polyethylene.

Beazer settles Koppers case

Beazer, the construction company, has agreed to pay a $760,000 (£398,000) penalty to settle a civil case filed in association with the acquisition of Koppers Co., the US Justice Department announced.

The government charged Beazer with failing to notify the Justice Department and the Federal Trade Commission that it had acquired more than $15m in Koppers securities.

Beazer violated the regulations in 1987 and 1988, the government claimed.

Beazer, which paid $1.8bn for Koppers, was purchased last year by Hanson.

NEWS DIGEST

Aviva looks to Colombia

MR DENYS Milne, chairman of Aviva Petroleum, told the annual meeting that the directors and management continued to believe that the "brightest prospect" for the company involved further development of the Colombian assets.

He said oil revenues were now being received from new production in Colombia and that operations in the US were now cash flow positive.

Following the restructuring, approved by shareholders at the extraordinary meeting following the agm, the Royal Bank of Scotland will own 16 per cent of Aviva's capital.

WB Industries

Directors of WB Industries, a manufacturer of springs and pressings, said they were in discussions that may or may not lead to a reshaping of the group.

As a consequence, the announcement of the preliminary results for the year to end-December would not be made until they had concluded the talks, which could include the making of a "significant acquisition".

Fidelity European

At the end of June net asset value of Fidelity European Values stood at 101.56p.

The company was incorporated on August 16 last year. For the period to June 30 income totalled £1.46m including dividend receipts of £1.02m, and earnings per share came to 0.98p.

Avonmore

Avonmore Foods has established a joint venture in Hungary which has paid I£504,000 (£474,000) to purchase the assets of a dairy business north-east of Budapest.

Avonmore has taken 75 per cent with the remainder held by Nograd Tej Kft.

Significant development of the liquid milk business was planned.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
General Electric Capital Corp (US)	Avis Leasing	Vehicle leasing	£500m	Deal completed
Investor Group (Mexico)	Unit of Poly Peck (UK)	Fresh produce	£260m	Administrators agree sale
International Paper (US)	Kwidzyn Pulp & Paper (Poland)	Paper manufacture	£89m	Renewed intl expansion
Northern Telecom (Canada)	Matra Communications (France)	Telecoms equipment	£73m	EC commission approves
Polygram (Holland)	Interscope (US)	Film production	£18m	Strategic purchase
Guinness (UK)	Union Cervecera (Spain)	Brewing	£8m	Outstanding offer
George Wimpey (UK)	Severokamen (Czech Republic)	Quarrying	£5m	Minimum 50% stake planned
Glunz (Germany)	Isoroy (France)	Timber	n/a	Pinault debt cut sale
Primark (US)	Datastream (UK)	Information services	£100m	Dun & Bradstreet disposal
Dogus Holding (Turkey)	Unit of Poly Peck (UK)	Hotels	n/a	Local Sheraton Voyager offer

DISPOSALS of various kinds provided last week's more interesting international corporate developments, writes Brian Bollen.

The week saw two developments in the dismemberment of Polly Peck International, which collapsed almost two years ago. In the biggest new deal, the group's administrators agreed to sell PPI Del Monte Fresh Produce to a Mexican-led investor group for $499m (£261m). The administrators also received a bid for the company which owns the Sheraton Voyager Hotel in the Turkish resort of Antalya.

The week's biggest non-core disposal was US business group Dun & Bradstreet's sale of London-based Datastream International. The buyer, Virginia-based holding company Primark, is in the process of changing from a utility-based conglomerate to an information services group.

In France, the sale of Isoroy continues Pinault's debt reduction programme and its efforts to refocus away from timber and into retailing.

Eastern Europe continues to generate deals sporadically, despite the criticisms of some investment bankers that there is no money to be made there. Poland's stuttering privatisation programme took a step forward with the announcement by International Paper, the US forest products group, of its first venture in the region. The purchase of Kwidzyn Pulp and Paper marks a new phase in the company's international expansion after its domestic and European growth in the 1980s.

Canadian airlines merger stalls on buy-out proposal

By Bernard Simon in Toronto

CANADIAN Airlines International has stalled controversial merger talks with Air Canada to consider a buy-out proposal from a group of its employees backed by several Canadian provincial governments.

The pressure on Canada's two leading airlines either to merge or forge alliances with foreign carriers was underlined however, by continued heavy losses in the second quarter. The two carriers posted a combined loss of C$163m (US$137m) in the latest three-month period, and C$401m in the first half of 1992.

PWA Corp of Calgary, Canadian's parent company, was pushed into Air Canada's embrace late last month after it called off negotiations for American Airlines of Dallas to acquire a significant minority shareholding.

Since then, the future of the two airlines has become a highly-charged political issue. Besides concern about the commercial implications of a monopoly carrier, the western provinces are nervous that they will suffer the heaviest job losses from a merger. The deal would probably leave Montreal-based Air Canada calling most of the shots.

PWA said late on Friday that Air Canada's merger terms were unacceptable. While the two airlines have not broken off talks, PWA said it will at the same time study a hastily-assembled proposal from its employees. This would include bridge financing from several provinces, including Alberta and British Columbia, where the bulk of Canadian's operations are located.

Outsiders are speculating that PWA may also revive its talks with American.

Air Canada's second-quarter loss was C$129m, or C$1.73 a share, up from C$30m, or 41 cents a share, a year earlier. The latest figure includes a charge of C$31m to cover, among other things, staff cuts. The operating loss rose to C$35m from C$6m.

PWA lost C$34.4m, or 74 cents a share, virtually unchanged from C$34.7m, or 75 cents a share. The company said that without new financing, Canadian's ability to continue operating and meet its financial obligations in 1993 was "a matter of concern".

Delta Air pilots add conditions to pay deal

PILOTS at Delta Air Lines, one of three US "mega-carriers", have refused to make wage concessions until they have reviewed the company's finances – a process which could take some months, agencies report.

Delta, which took over Pan Am's transatlantic routes last year in a key expansion move, has recently been making heavy losses.

Having reported a $506.3m loss after tax in the year to end-June, the airline announced plans last month for a 5 per cent staffing cut, greater use of contract services, more seasonal flights and other cost-cutting measures.

The airline is understood to have asked its pilots – the only group of its employees who are unionised – to delay a 5 per cent wage increase due to take effect in September.

In a recent letter to pilots, the company described the recent "fare wars" in the airline industry as an "economic bloodbath" which could threaten the company's future.

Traditionally, Delta has been viewed as one of the more benevolent airline employers, and its last pilots' contracts made Delta pilots the best paid in the US.

The pilots, however, have already agreed to extend that contract, originally due to expire in August 1993, to allow the carrier to digest the Pan Am assets.

● Trans World Airlines has reached an agreement in principle with the 6,000-strong Independent Federation of Flight Attendants under which the union would acquire a 45 per cent equity stake in the carrier. TWA said the deal contemplated the workers giving 15 per cent wage, benefit and work rule concessions in exchange for the equity.

The airline said the flight attendants' union was the first of its three unions to agree to the deal. It said the deal remained subject to certain conditions, including bankruptcy court approval and execution of agreements with the carrier's other unions.

New European debit card player

David Barchard on the establishment of Europay International

ONE of National Westminster Bank's most senior executives is to head a new inter-bank payments organisation being set up to create a new debit card for Europe and outflank debit card services offered by Visa International.

Mr Ron Williams, NatWest's director for payment services, has been appointed as the first chief executive of Europay International, a card payment organisation to be formed through a merger of Eurocard International, the European affiliate of MasterCard, and Eurocheque International.

Mr Williams is vice-chairman of the board of Eurocard, a consortium of European banks, led by the Big Three German banks. The main Eurocard banks are strongly opposed to the possible expansion of Visa International in Europe.

In Germany and several other north European countries, Eurocard dominates the market and Visa has relatively few members and cards in circulation. This contrasts with the UK, where Visa has a larger number of cards and member-banks than the MasterCard/Eurocard network and all large banks belong to both Visa and MasterCard.

Until recently, the Eurocard banks regarded paper Eurocheques, introduced in the 1960s, as the standard instrument for consumer payments.

Europay is an attempt to establish a new card-based electronic point-of-sale payment instrument. The aim is to head off the challenge from Visa and give consumers a means of making payment by debit card across Europe.

Europay will continue to issue Eurocheque products and Eurocards, but its main work will be to establish a standard European debit card branding which is likely to include all debit card products not linked to the Visa network. The new company comes into operation on September 1.

Mr Williams says he expects around 90m European debit cards to be in the market by the end of 1993, about twice the number of Visa debit cards now in circulation.

The emergence of the European debit card comes on the heels of plans by MasterCard International, the global credit card system which owns a 15 per cent stake in Eurocard, to launch a new debit card branding called Maestro in North America.

Though Visa has offered debit cards, such as Barclays Connect, for several years, this is the first debit card in the MasterCard family.

MasterCard has designed Maestro as a distinct card brand which can operate independently of its credit cards. A formal system of interchange fees, the commission paid by a retailer's bank to the cardholder's bank each time a card is used, has been established.

The fee is a standard 1 per cent of the transaction for credit cards, but for Maestro it is expected to be around 0.5 per cent.

The introduction of the fee is expected to arouse protests from retailers who claim the fees enable banks to operate a cartel on their card payment services.

The European debit card will have its own branding, but it will will be linked to Maestro's global network and each European debit card will carry the Maestro logo on its reverse.

Switch, the UK electronic debit card branding, is understood to be considering whether to link up with the European debit card.

Italian bank to expand in France

By Haig Simonian in Milan

ISTITUTO Bancario San Paolo di Torino, the Italian bank which floated some of its shares earlier this year, has confirmed its interest in expanding in France, possibly by acquiring Centrale de Banque, the lossmaking retail banking chain owned by Société Générale.

The French bank has said that San Paolo was "interested" in buying the unit. However, a spokesman for San Paolo denied reports that negotiations on a purchase were already taking place.

San Paolo, which raised L1,525bn ($1.4bn) by listing 20 per cent of its shares last March, has a 50-branch network in France through its Sanpaolo Banque subsidiary.

Most of its branches have come through the acquisition in recent years of Banque Vernes and Banque Française Commerciale, two small retail banking operations.

However, the company has indicated that it sees 100 branches as representing the minimum size for an acceptable retail banking presence in the French market.

Centrale de Banque has 730 employees and 50 branches, and it is thought their locations would fit well with Banque Sanpaolo's network.

Norwegian insurer attacks ruling

By Karen Fossli in Oslo

VITAL FORSIKRING, Norway's second-biggest insurer, has issued a sharp warning that domestic insurance companies would be forced to halt stock market investment unless new regulations covering allocation of life insurance profits were amended.

Mr Bjoern Elvestad, Vital's president, said life insurance companies would have serious problems in maintaining their role as long-term investors in Norwegian companies because of the current rules.

"The consequence of these regulations may be that insurance companies will be forced out of the stock market, and in that event an important source of funding for Norway's capital-impoverished businesses will dry up," Mr Elvestad said.

Vital estimates the need for capital by large, domestic stock-listed companies during the next four years at NKr100bn ($17bn).

New regulations, based on the Norwegian Insurance Act, now call for the policyholders' share of annual profits from life insurance companies to be credited completely to the policyholder and on a continuing basis, based on market value.

These allocations will have to be made annually, as well as at the termination or transfer of an insurance contract.

"As unrealised gains are also to be distributed, companies' abilities to withstand major fluctuations in the securities' markets, will be reduced," Mr Elvestad said. He said the "market-value principle" imposes an unwanted short-term focus on the companies' share investments.

Printing side leads surge at Quebecor

By Robert Gibbens in Montreal

QUEBECOR, the North American publishing and printing group, reported a sharp increase in second-quarter net profits. They jumped to C$15.5m (US$13m), or 28 cents a share, up 78 per cent on C$8.8m, or 18 cents a share, a year earlier.

Sales advanced to C$616m, compared with C$593m.

First-half profits rose to C$20.7m, or 37 cents a share, up from C$11.1m, or 23 cents, a year earlier, on sales of C$1.2bn, against C$1.16bn.

The latest period excluded a C$48.5m special gain, which brought per-share earnings to C$1.22.

Commercial printing in Canada and the US turned in the best performance, but publishing and other sectors also delivered improved results.

Quebecor includes 28 per cent of Donohue, a newsprint producer, in its figures.

Citic wins autonomy from Beijing

CHINA has given Citic, the state-owned investment company most closely linked with economic reform policies, broad autonomy to borrow and invest without central government permission, the China Daily newspaper said, Reuter reports from Beijing.

China International Trust and Investment Corp, Beijing's most westernised company with businesses ranging from banking to real estate to satellites, can now borrow overseas without obtaining prior approval, as long as it keeps within a ceiling set for the five years ending in 1995.

Citic now also has complete autonomy to decide on investment projects under Yn200m ($37m) at home and $30m abroad, the official newspaper said.

It did not say what the five-year ceiling on borrowing was.

Mr Wei Mingyi, Citic president, said the organisation now had complete freedom to decide the amount of loans, their tenor, the market, the lead managing bank and the currency. Previously the government had to approve each case.

The lifting of investment restrictions will also speed Citic's business. Mr Wei said in the past it had sometimes taken months to receive approval for even a $1m project.

Citic hopes to have diversified investments around the world with its shares listed and traded on exchanges worldwide within a decade, the newspaper said.

The company last year benefited from the fast growth in China's economy and recorded one of its best results. Profits jumped 42.5 per cent to Yn368.9m from Yn258.8m, according to its latest annual report.

It recorded only 5 per cent profit growth in 1990 compared to 1989 because of a market slump and a domestic credit crunch.

Vital Forsikring declines 19%

By Karen Fossli

VITAL FORSIKRING, reported a 19 per cent fall in first-half pre-tax profit, before extraordinary items. The company saw the figure decline to NKr555m ($96m) from NKr689m a year earlier due to a fall in financial income as a result of the weak stock market.

Group financial income also fell, to NKr1.47bn from NKr1.67bn, and Vital took a charge of NKr157m for an unrealised loss on securities.

Premium income, however, rose to NKr1.43bn from NKr1.24bn while operating expenses were cut to NKr275m from NKr282m.

Vital said premium income jumped 16 per cent, with income from the sale of life insurances and pensions with single premiums increasing by 18 per cent and sales of insurance with annual premiums rose 15 per cent.

The company added that despite a drop in financial income the yield on total assets increased to 9 per cent.

Actual and estimated losses on loans at the half-year mark were just NKr9m, but no comparative figure was given.

Since the turn of the year reserves covering investment assets were reduced to NKr39m from NKr111m, Vital said. Vital said that since the end of June, the reduction in asset values had continued because of the weak performance of the stock markets at home and abroad.

player

nternational

Printing side leads surge at Quebecor

By Robert Gibbens in Montreal

INTERNATIONAL FINANCING

Private US debt market plugs the funding gap

LONG-TERM, fixed-rate money these days is hard to find. Banks often do not want to lend it: capital and credit concerns have made them unwilling long-term lenders. Public bond markets are not interested unless the borrower is a top-class name, and even then do not provide money for longer than 10 years. So it is a relief to a growing number of European corporate treasurers that the private US debt markets are plugging the gap.

In 1985, foreign companies accounted for only 2.5 per cent of the debt placed privately in the US. The proportion has grown steadily ever since, save for a brief dip in 1990, reaching 18.1 per cent last year – or $17.8bn.

British companies have led the way. The latest round of deals, announced in recent days, includes Pilkington (which had sought $200m but increased the deal to $300m due to demand), and Smiths Industries and United Newspapers (which raised $100m each). All have used the money to repay short-term borrowings.

In all, British companies raised nearly $5bn last year. Swedish, Dutch and German companies managed another $4bn between them.

Some 20 to 30 of the US's biggest insurers account for the bulk of the market. US insurers hold around two-thirds of their investments in fixed-income securities, compared with a typical holding of 15 to 20 per cent by UK insurers, and so have a vast appetite for new fixed-income investments. At the moment, many non-US companies are getting a better reception from these insurers than US ones.

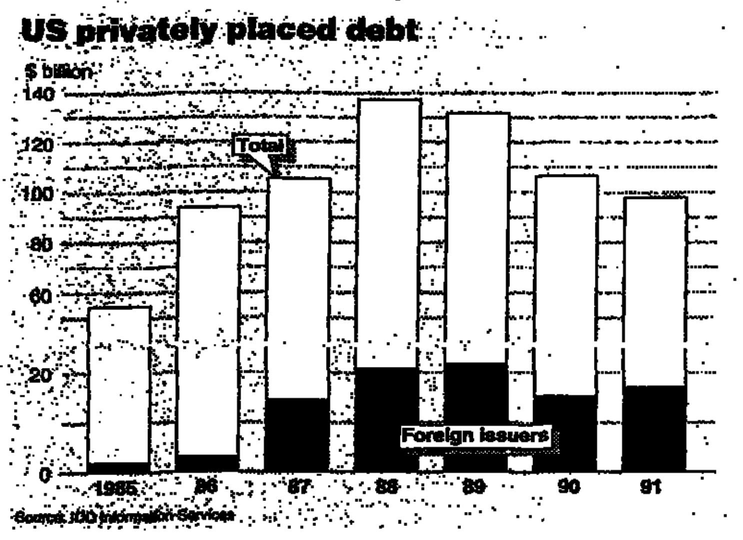
This is partly because the insurers have turned their back on higher-risk investments at home: US insurance industry regulators, prompted by insurance companies' junk bond losses, imposed new rules in 1990 on the credit quality of their investments.

At the other end of the spectrum, many US companies with a better credit standing have turned to the public bond markets to take advantage of the high level of demand in the past two years.

That has left US investors short of domestic assets to buy. "Effectively, they are underinvested," says Mr William Coles, of Salomon Brothers.

One result is a new love-affair with foreign companies. Investors have begun to look overseas more actively for companies to invest in to replace the decline in US business – and investment banks have put more effort into developing deals to bring to the investors. Prudential Insurance Corporation of the US, for instance, now has a subsidiary in London to seek out investments. Among the deals it has been responsible for arranging was a $100m 15-year facility last year for Scapa Group, a maker of coatings for pulp and paper.

For corporate treasurers, one of the attractions of private placements in the US has been the freedom from the Securities and Exchange Commission's disclosure requirements. However, there are other drawbacks.



One is the type of covenants that investors demand. Typically, these include interest cover and gearing ratios that are more onerous than those imposed by unsecured bank lending. US investors also ask for a covenant governing "event risk", allowing them to opt for repayment in certain circumstances. These extra safeguards are perhaps not surprising given the disadvantageous position a long-term, unsecured creditor is in. "No one wants to be the longest lender to a corporation," says Mr Ron Tannenbaum, head of private placements at UBS in London.

Another potential drawback is the attention of rating agencies. All debt securities held by insurance companies in the US are rated by the National Association of Insurance Commissioners: the ratings are used by regulators when setting each insurer's reserve requirements. Many deals are also pawed over by ratings agencies, however.

In part, that is because more are issued under the SEC's rule 144a, which allows for a limited market to develop (about one-third of the issues by foreign companies last year were under this rule). Moody's Investors Service has caused some waves by issuing unsolicited ratings on private deals. At least one company, Usinor Sacilor, of France, withdrew a planned private placement when the agency said it would issue a rating.

Ratings by commercial agencies may already be desirable in the 144a market and in time could become standard, according to IBCA, the UK-based agency. If so, that could remove one of the current attractions of the market for investors.

In time, more European companies could turn to the private placement markets that are developing in their own back yard. One investment bank in London estimates the European market to be worth $25bn to $30bn a year. But it is what the bank calls a "private private market" (deals are not announced, unlike the US).

It is also highly fragmented: investors tend to prefer domestic investors, rather than those from overseas. And each domestic market has developed its own characteristics. For instance, the market for permanent interest bearing shares (Pibs) issued by UK building societies, though nominally a public one, is to all intents and purposes a private market, with mainly UK institutional investors tucking the paper away into their portfolios.

Hence the strong German private placement market, or the developing one in the UK, are seldom open to foreign companies. Until that changes, the US will remain the most obvious source of long-term debt finance for many European companies.

Richard Waters

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
SFA Master Trust(a)‡†	50	1996	4.25	(a)	99.75	SBC	-
Toyo Kanetsu KK♦	100	1996	4	2¼	100	Yamaichi Intl	2.25
World Bank(f)‡†	400	2002	10	(b)	100	Goldman Sachs Intl	-
Philip Morris Cap.Corp†	200	1999	7	6⅝	101.10	UBS Phillips & Drew	6.425
Allied Lyons Fin.BV†	150	1997	5	6½	101.22	CSFB	6.209
NMB Postbank Groep(g)‡†	200	2002	10	(c)	100	Merrill Lynch	-
DG Bank(h)‡†	75	2002	10	(d)	100	Goldman Sachs Intl.	-
Nat'ale.InvesteringBk‡†	100	2002	10	(k)	100	Morgan Stanley Intl	-
Dresdner Bank AG(m)‡†	200	2002	10	(m)	100	Dresdner Bank	-
Eurofima(o)‡†	200	2002	10	(o)	101.425	SBC	-
STERLING							
Compagnie Bancaire(d)‡†	100	1995	3	(d)	100	UBS Phillips & Drew	-
YEN							
Cent.Japan Railway Co†	20bn	2002	10.25	5.90	101½	Nomura Intl.	5.699
Toray Indust.(l)	15bn	1997	5.25	(l)	100¼	Nomura Intl.	-
Mitsui O.S.K. Lines(n)‡†	15bn	1997	5	(n)	100.15	Daiwa Europe	-
SWISS FRANCS							
Xebio Co Ltd(c)★★§	70	1996	4	4⅝	100	Nomura Bk.(Switz)	-
Xebio Co Ltd★★♦	70	1996	4	3⅝	100	Nomura Bk.(Switz)	3.625
D-MARKS							
Nippon Zeon(j)‡†	50	1996	4	(j)	100.15	Dai-Ichi Kangyo Bk	-
Petrofina Delaware†	200	1997	5	9	101⅞	Deutsche Bank	8.524
CANADIAN DOLLARS							
Deutsche Bank Fin.NV.(b)‡†	100	2002	10	(b)	100	Deutsche Bank AG	-
AUSTRALIAN DOLLARS							
SAFA(e)†	150	2002	10	9	101.55	Hambros Bank	8.761
St.Elec.Comm.of Victoria†	100	2003	11	9¼	101.40	Hambros Bank	9.044
GUILDERS							
Aegon NV(i)‡†	500	2004	12	(i)	100.70	ABN Amro	-
LUXEMBOURG FRANCS							
Fin. Danish Industry★★†	1bn	1995	3.167	9.5	102.05	Credit Europeen	8.711

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♦Variable rate note. †Final terms. a) Backed by credit card receivables. Coupon pays 45bp above 3 month Libor. Fungible with existing issue on 29/9/1992. Callable 22/5/1995. b) Coupon pays 30bp below 3 month Canadian Bankers Acceptance rate. Minimum interest rate 5.875%. Maximum 8.90%. C$75m tranche issued 11/8/1992. c) Coupon payable semi-annually. Notes carry a put option on 30/9/1994 at 103¼, to yield 8.962. d) Coupon pays ⅛ above 3 month Libor. e) Full name of borrower, South Australian Government Financing Authority. Amount increased from A$125m. Non-callable. Coupon pays 80bp below 3 month Libor. g) Coupon pays ⅛ below 6 month Libor. Coupon payable Semi-annually. Amount increased from $100m. Minimum interest rate of 5⅛%, maximum of 10%. h) Coupon pays a flat 3 month Libor rate. Minimum interest rate of 5⅛%, maximum of 10½%. i) Coupon pays 6 month Amsterdam Interbank offered rate for years 1 & 2, payable semi-annually, then pays a fixed coupon of 8⅛% payable annually. j) Coupon pays 6 month Libor plus 35bp. Fees undisclosed. k) Coupon pays ⅛ below 6 month Libor. Minimum interest rate 5⅛%, maximum 10%. l) Coupon pays 0.2% above the Yen 3 month Libor rate. m) Coupon pays ⅛ below 3 month Libor. Minimum interest rate 5%, maximum 10%. Amount increased from $125m. n) Coupon pays 25bp above 3 month Libor. o) Coupon pays 3 month DM Libor less 2.65% paid in US Dollars. Minimum interest rate 5⅜%. Note: Yields calculated on ISMA basis

Anthony Harris

The British disease becomes endemic

GOOD news at last – in a way. The "surprising" fall in inflation was hailed, as the headlines had it, by the Treasury. The government's policies are working, they said; and that is just the trouble. The danger, as Roger Bootle (Midland Montagu's chief economist) pointed out last week, is not that ministers do not mean what they say (which is what the markets seem to fear), but that they do.

They will get their victory, only to achieve a Carthaginian peace. ("They made a wilderness and called it peace," says my dim memory of the classics.)

The fall in inflation is unsurprising because it is the natural result of a slump, as dealers understood last Friday when they marked sterling down.

And that means there may be worse to come: not only a fall in inflation, which means a rise in real interest rates, but a greater risk of higher nominal rates, which will rack up real rates still higher. And then, if the French vote down Maastricht next month . . .

Ministers are no doubt praying that the French vote will go the "right" way; but, in fact, it is hard to know which is the frying pan and which the fire. Either we face a full-blown sterling crisis, or else we are stuck with Maastricht convergence conditions, and German monetary policy. Unappetising is a very mild word for it.

The Maastricht conditions are bad enough. They are illogical, as the IMF used to be in the worst days of de la Rosiere debt phobia. Now the IMF is more enlightened.

It calculates that the rules will reduce growth all over Europe by about 1 per cent annually – bearable in normal conditions, but dreadful in a recession, and probably an under-estimate anyway. They reflect not economic logic, but a mixture of German horror at the Italian national debt, and Dutch Puritanism (always the most extreme in my experience) – a grim combination.

German monetary policy, though, is worse. Four years ago, an enlightened veteran of the Bundesbank council explained German monetary policy to an admiring group of central bankers.

The great thing, he explained, was to have a clear, consistent policy over the years; and an official able to explain convincingly why, at any given moment, it was not being followed. This seems an ideal blend of apparent rigour and practical common sense.

Things have changed, sadly, since then. The policy is no longer consistent, and the commonsense has gone out of the window. The Buba Council has swapped targets, as the Bank of England used to do so regularly; and in doing so, it has adopted a policy, trying to deflate broad money through high interest rates, which can only work (if it works at all) through provoking a sharp recession.

This is obvious in theory: high rates make interest-bearing bank deposits more attractive, and market investment less so, so raising rates tends to inflate broad money, as long as the banks still see acceptable lending opportunities, which dry up only in a recession.

What is more, this effect has repeatedly been demonstrated by the Bank of England (remember the Thatcher monetary targets?).

Mr Paul Volcker fell into the same trap when President Carter turned him loose. He squeezed, and broad money ballooned. His sudden enlightenment exactly 10 years ago, triggered by the Mexican debt crisis (and memorably forecast by Dr Henry Kaufman, with dramatic results on Wall Street) started a worldwide fall in rates, and so ended the worst world recession until this one.

An example for Buba, now faced with recession and actual falling prices? Probably not, alas; because Volcker's timely relaxation was sustained until it caused the world asset inflation.

Is it ignorance that causes these huge policy errors? Surely not, after all this time. The common factor in all these episodes is not economic doctrine, but emotion.

In all of them, the central bank saw itself as the only power able to save its nation from an irresponsible government, and adopted a policy designed to put the government on the rack.

This used to be a purely British syndrome. It now seems to be endemic on this side of the Atlantic.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Treasury market faces test of nerve

SOME people, it seems, are never satisfied. Despite the fact that Mr Alan Greenspan, chairman of the Federal Reserve, has sanctioned more interest rate cuts in the past 18 months than any of his predecessors over a comparable period, and despite borrowing costs being at their lowest level for almost 30 years, the call has gone up again for another policy ease.

The politicians, of course, are still unhappy with the Fed for not doing more to boost economic activity, but in an election year that is to be expected.

The economic pundits in the media also continue to press for further rate cuts, while plenty of their counterparts on Wall Street agree that more should be done to breathe fresh life into the weak recovery.

All argue that recent economic indicators show interest rates need to go lower if consumers are to be persuaded to dig into their wallets and pick up their spending.

Some go even further, such as Mr Ed Yardeni, the chief economist at brokerage house CJ Lawrence. Commenting on last week's "disappointing" 0.4 per cent rise in July industrial production, Mr Yardeni said: "Manufacturing production is at a standstill. Weak early August car sales are not encouraging. We believe lower interest rates are needed just to sustain slow growth in the economy."

The chances of a new cut in rates, however, are slim.

For one, the sustained and troubling weakness in the dollar has left the Fed with less room to manoeuvre. Regular and co-ordinated intervention by US and European central banks to support the ailing currency during the past few weeks has shown how concerned the monetary authorities are by the steady decline in the dollar.

The Fed is unlikely to give the green light to another interest rate reduction, which would make the dollar even less attractive to overseas investors, at a time when central banks worldwide are working hard at propping up the US currency.

Second, the Treasury market is becoming more nervous about the outlook for efforts to reduce the budget deficit as the election battle hots up, and so another policy ease may not bring long-term market rates down much further.

Last week was a clear example of how the bond market is unwilling to push long-term rates substantially lower.

On Thursday, the 30-year bond nose-dived after Mr James Baker, the new chief of staff at the White House, said tax cuts should be the centrepiece of President George Bush's re-election campaign and second term.

His comments immediately drew fire from bond analysts. Mr Mitchell Held, of Smith Barney, said that "if Baker's statement is meant to imply that attempts to balance the budget will begin to play second fiddle to the need for new federal fiscal stimulus to undo the economy's lethargy, then the fixed-income market's disapproval has only begun to be heard."

More of that disapproval could be on display over the next few days during the Republican Party convention.

The market is particularly concerned that the president may announce during his acceptance speech a tax cut as part of a package of economic stimuli aimed at recapturing the ground lost in the polls to Democratic nominee Governor Bill Clinton.

Rumours that he may do just that were flying around Houston yesterday as delegates arrived for the convention, as was speculation that the president is ready to recommence hostilities with Iraq.

It looks as though the next five days will be a test of the Treasury market's nerve – if it breaks, bond yields could head back up through 7.5 per cent in a hurry.

Patrick Harverson

JAPANESE BONDS

Profit-taking may check strong rally

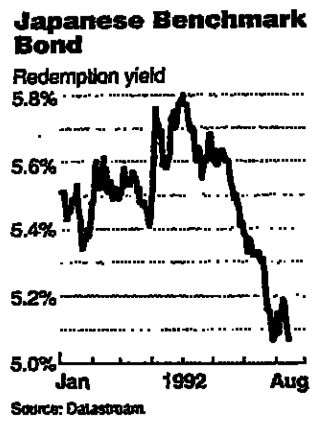
JAPANESE government bonds have rallied strongly recently, *reaching levels last seen in* early 1989 as the plunge in the Tokyo stock market has raised hopes of a monetary easing.

The slide in the leading Nikkei 225 average below the psychologically important 15,000 level last week – over 60 per cent off its peak – has prompted speculation of a further cut in the official discount rate. At the end of last week, rumours circulated that the Bank of Japan might cut the reserve requirements for commercial banks, adding to speculation about lower interest rates.

The yield on the No 129 benchmark bond closed last week at a record low of 4.82 per cent, down from 4.905 per cent. The yield was the lowest for a benchmark issue since January 1989.

Sagging consumer confidence has also raised hopes of action by the monetary authorities. Until recently, government officials had been confident that firm consumer spending would lead the Japanese economy out of recession.

Japanese Benchmark Bond



Source: Datastream

However, the bearishness over the economy has filtered through to ordinary Japanese, prompting them to tighten their belts. Department store sales were down 3.7 per cent year-on-year in June, marking the fourth consecutive decline, while chain-store sales fell 1.1 per cent from the previous year, representing the first decline in five years.

Concern is also mounting over the health of Japanese banks, which are burdened with bad loans linked to stocks and property. Bankers believe a further lowering in the official discount rate is essential to boost profits, offsetting a sharp increase in write-offs and loan-loss reserves.

Institutional investors have been active buyers in the bond markets, and turnover in July rose to Y57,242.3bn, excluding brokers' trading on their own accounts – the highest level in five years. Total turnover rose to Y117,000bn, exceeding Y100,000bn for the first time since March 1991.

As demand for loans has decreased due to the slowing economy, insurance companies and long-term credit banks have shifted into long-term funds. The Japan Securities Dealers Association said net buying by life and non-life assurers doubled from the previous month to a record Y920bn, while long-term credit banks bought a record Y500bn, up 7.5 times from the previous month.

However, in spite of the excitement, analysts believe the rally in government bonds may end soon. The yield on the 10-year benchmark has fallen over 380 basis points from the 8.7 per cent level two years ago. Mr Russell Jones, economist at UBS Phillips & Drew in Tokyo, says that although investors may find little incentive to sell while the stock market weakness lasts profit-taking may begin.

One factor which may hinder an easing of credit by the Bank of Japan, is the rising trade surplus. Lower interest rates would lead to a weakening of the yen against the dollar, and could contribute to Japan's already mounting trade surplus.

With Japan's trade surplus in July rising 40 per cent from the previous year to a record $9.2bn, the central bank will need to find a balance between a weaker currency and the weakening economy.

Emiko Terazono

UK GILTS

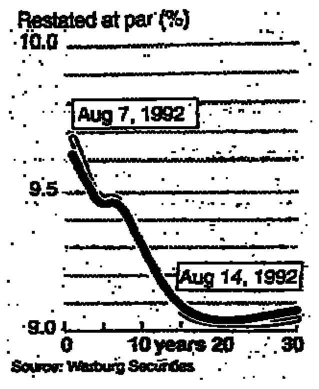
Auction targets domestic investors

TOMORROW, the Bank of England will announce the full details of its next auction of gilt-edged stock, scheduled for August 26.

So far, the Bank has said the stock will be a conventional gilt with a maturity of more than 15 years. Market participants are expecting the Bank to auction £2.5bn of the 8¾ per cent gilt due 2017, although the 9 per cent gilt due 2008 is seen as a possible alternative.

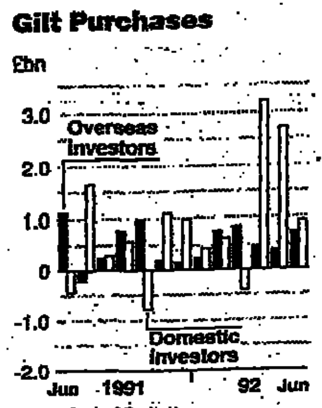
Whichever is chosen, the fact remains that this is the third auction in a row to be aimed at domestic – rather than foreign – investors.

UK gilts yield



Source: Warburg Securities

Gilt Purchases



Source: Bank of England

Overseas investors tend to prefer 10-year or shorter-dated stocks, and the Bank has successfully pitched some of its past gilt sales at foreigners by selecting these maturities.

Indeed, foreigners were significant buyers of gilts last year and in the early part of 1992. However, their interest in the gilt market showed clear signs of waning in the second quarter with sales to overseas investors dropping sharply in April and May.

Even though gilt purchases by overseas investors picked up again in June, market-makers point out that North American and Far Eastern investors remain apprehensive *about the European government* bond markets in general, ever since the Danes voted against ratification of the Maastricht Treaty and put a question-mark over the future of European economic and monetary union.

Domestic investors, on the other hand, have been eager buyers of gilts in the second quarter and still appear to have a healthy appetite for gilts and other fixed income investments.

The latest Smith New Court/Gallup survey of UK fund managers – which came out last week – showed that "managers remain more interested in increasing their exposure to bonds as against equities . . . the balance of managers planning to increase holdings of UK gilts was 30 per cent in August, only slightly below July's level [32 per cent] which was the highest for two years".

For those fund managers reared on the cult of the equity in the 1980s, this represents quite a change of tune. However, given the difficult economic conditions in the UK and the feeling that it may be some time before matters improve, fund managers are naturally worried about the prospects for dividend growth in the UK.

At the same time, as inflation in the UK continues to fall, domestic investors are being given the opportunity of locking into high-yielding gilts.

The inflation figures released last week were particularly good: average earnings – released on Thursday – showed a fall from 6.25 per cent in May to 6.0 per cent in June.

Friday's announcement, showing the annual rate of retail price inflation fell to 3.7 per cent in July from 3.9 per cent in June, raised hopes that *inflation could fall to between* 3.25 and 3.5 per cent by the end of 1992 and to about 2 per cent by the end of next year.

While sterling's weakness against the D-Mark cast a black cloud over the gilt market for most of last week, the release of such favourable RPI figures – coinciding with good inflation data from Germany – helped to push gilt prices up by over a point on Friday.

"The prospects for inflation do genuinely look good – so investors are being given the chance to lock into irresistible [gilt] yields at a time of real uncertainty over equities," says one UK economist.

Since the government started borrowing in the gilt market again, UK institutions have been keen to see an improvement in the liquidity of certain long-dated gilts and some of them hinted to the Bank that they wanted to see the creation of an "extra-long" issue, thereby extending the government debt maturity profile.

At the last two auctions, their wishes were granted. On April 29, the Bank auctioned £2.5bn of the newly-created 8¾ per cent gilt due 2017, the "super-long" gilt: the bonds were taken up mainly by UK insurance companies looking for long-dated paper to match their liabilities.

The following auction – on June 24 – of £2.75bn of the 9 per cent gilt due 2012, was also dominated by domestic investors.

No doubt the Bank is hoping fund managers stick to their guns and increase their gilt allocations at this month's auction too.

Sara Webb

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	107¼		4.61
ABN 9 1/8 94	200	107⅝	+¼	4.95
AETNA LIFE & CAS 7 3/4 16	200	103⅝	-¼	7.44
ALBERTA PROVINCE 8 5/8 96	750	109¾	+¼	5.93
ALBERTA PROVINCE 9 3/8 95	600	111⅝	+¼	5.40
AMERICAN EXPRESS ZERO 00	450	54	+⅜	7.68
AMERICAN GENERAL 9 3/4 95	100	109⅞		5.91
AMERICAN INTL 0 04	750	40¼	+⅛	7.77
ASIAN DEV BANK 0 04	1000	41⅛	+¼	7.66
ASIAN DEV BANK 8 96	100	107⅝	+¼	5.93
AUSTRALIA 11 95	200	114⅛	+¼	5.39
AUSTRIA 7 3/4 97	200	106¾	+⅜	5.95
AUSTRIA 8 1/2 00	400	110½	+⅜	6.65
AUSTRIA 9 1/4 96	100	112¼	+¼	5.67
BANK OF TOKYO 8 3/8 96	100	107⅜	+¼	6.03
BARCLAYS JERSEY 10 5/8 95	250	114¼	+⅛	5.80
BASF FIN EUROPE 7 99	200	101⅞	+⅛	6.66
BAYER USA 8 1/4 96	150	108		5.96
BELGIUM 8 97	300	108⅜	+¼	5.81
BELGIUM 8 3/4 98	400	111½	+⅜	6.27
BELGIUM 9.2 10	500	116	+⅝	7.54
BELGIUM 9 5/8 98	250	115⅛	+⅜	6.39
BFCE 7 3/4 97	150	106¾	+¼	6.00
BFCE 9 1/4 95	150	111½	+¼	5.31
BNP 8 5/8 94	300	107¼		4.68
BOOTS 9 97	175	109¾	+¼	6.33
BP AMERICA 9 3/4 99	250	114⅝	+¼	6.88
BP CAPITAL 9 1/8 94	75	106¼	+¼	4.91
BPCA FINANCE 8 3/8 98	150	108¼	+⅜	6.60
BRITISH GAS 8 3/8 99	350	109½	+⅜	6.64
BRITISH TELECOM FIN 8 3/4 99	200	111⅝	+⅜	6.62
BRITISH TELECOM FIN 9 3/8 98	250	114¼	+½	6.54
CAISSE NAT ENERGIE 11 3/4 95	125	115		5.13
CANADA 9 96	1000	111⅛		5.36
CANADA 10 95	500	113⅛		5.29
CANADIAN PACIFIC 7 1/2 96	100	104¼	+⅛	6.18
CARIPLO 8 3/4 98	200	109⅜	+⅜	6.76
CATERPILLAR FIN SERV 0 94	140	93	+⅛	4.99
CCCE 8 3/4 99	200	112	+⅝	6.58
CCCE 9 1/4 95	300	110		4.95
CENTRUST SAVINGS 0 10	1200	14½		11.72
CHEVRON CORP 8 1/4 96	300	103⅝		7.07
CHUBU ELEC POWER 8 1/4 98	350	108	+¼	6.61
CIA NAVIERA PEREZ 9 96	100	99⅛	+⅛	9.38
CNCA 7 1/2 94	150	104¼		4.49

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on August 14

THE WEEK AHEAD

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Faupel Trading, Faupel House, Giggs Hill Road, Thames Ditton, Surrey, 11.00
Investment Co., Fairfax House, Fulwood Place, Gray's Inn, W.C., 12.00
BOARD MEETINGS:
Finals:
Heath (Samuel)
US Smaller Cos. Inv. Trust
Interims:
Alliance Trust
Argos
Plasmec

■ TOMORROW
COMPANY MEETINGS:
Friendly Hotels, Connaught Rooms, 61-65, Great Queen Street, W.C., 11.00
Latham (James), Leeside Wharf, Clapton, E., 12.30
BOARD MEETINGS:
Finals:
Pifco
Interims:
BICC
Bedford (Wm)
Brabant Resources
CSC Inv. Trust
City Centre Restaurants
GT Chile Growth Fund
Inch Kenneth Kajang
Lowe (Robert H)
Micro Focus
Quicks
Sedgwick

■ WEDNESDAY AUGUST 19
COMPANY MEETINGS:
Brown & Tawse, Imperial Street, E., 12.00
Jupiter European Inv. Trust, Knightsbridge House, 197, Knightsbridge, S.W., 11.30
Wilshaw, Tower Thistle Hotel, St. Katherine's Way, E., 11.30
BOARD MEETINGS:
Finals:
de Morgan
Hambros Currency Fund
Jos Holdings
McKay Securities
Interims:
Bredero Props.
Britannic Assurance
Dunedin Inc. Growth Inv.
Fleming High Income Inv.
Marley
Rosebys

■ THURSDAY AUGUST 20
COMPANY MEETINGS:
Avesco, Venture House, Davis Road, Chessington, Surrey, 11.00
Burtonwood Brewery, Bake Hall Hotel, Rake Lane, Little Stanney, Chester, 12.00
Southern Water, The Dome, Brighton, 11.00
Symonds Engineering, Royal Chace Hotel, The Ridgeway, Enfield, 11.30
BOARD MEETINGS:
Final:
Bellwinch
Interims:
Clarke (T)
Dawsongroup
Expamet Intl.
Invergordon Distillers
Kode Intl.
Lec Refrigeration
McAlpine (Alfred)
Rentokil
Wyevale Garden Centres

■ FRIDAY AUGUST 21
COMPANY MEETINGS:
Fuller Smith & Turner, Griffin Brewery, Chiswick, W., 11.00
Marston Thompson & Evershed, The Albion, Shobnall Road, Burton on Trent, 12.00
BOARD MEETINGS:
Final:
Levercrest
Interim:
Fulcrum Inv. Trust

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Allied-Lyons ADR $0.324
Aon $0.42
British Steel 1.5p
Cheam A 4p
Do. B 4p
Colgate-Palmolive $0.31
Drive Securities Class A Fltg. Rate Nts. £268.39
Marsh & McLennan $0.675
Mountview Estates 10p
Sainsbury (J) ADR $0.153
Scot Metropolitan Prop 1.5p
Shelton (Martin) 1p
VSEL Consortium 17p

■ TOMORROW
Britannia Bldg. Society Fltg. Rate Nts. 1995 £253.88
Charter Consolidated 14.5p
Chase Manhattan Fltg. Rate Sub. Nts. 2000 £127.78
Courtaulds ADR $0.219
Credit Foncier de France $10\frac{1}{4}$pc Serial Ln. 2011,2012,2013 & 2014 £512.50
Faupel Trading 3.05p
First Chicago Fltg. Rate Sub. Cap. Nts. 1997 $134.17
Homestake Mining $0.05
Lloyds Bank Series B Var. Rate Sub. Nts. 1998 £268.96
Midland Bank Sub. Fltg. Rate Nts. 2001 £126.94
National Westminster Bank Und. Var. Rate Nts. £273.36
Treasury $8\frac{1}{4}$pc 1993 £4.125
Vosper Thornycroft 9p
Wellman 1.4p
Wells Fargo Fltg. Rate Sub. Cap. Nts. 1998 $102.22
Woolwich Bldg. Society Fltg. Rate Nts. 1994 £254.51

■ WEDNESDAY AUGUST 19
Dart 2p
Hunter Saphir 1.5p
Walker & Staff 5p

■ THURSDAY AUGUST 20
Aegis 1.375p
Bankers Trust Intl. $134.17
Bank of Ireland Units of Non-Cum Sterling Pref, Series A 49.8342p
Do. Units of Non-Cum Irish Pound Pf, Series A Ir47.3672p
Brockhampton 3.3p
Do. A 3.3p
Canadian Imperial Bank of Commerce Fltg. Rate Sub. Cap. Debs. 2085 $224.34
Caterpillar $0.15
Chemical Banking Fltg. Rate Senior Nts. 1999 $40.83
Furukawa 6pc Nts.1998 Y133,333
Hongkong & Shanghai Banking Prim. Cap. Und. Fltg. Rate Nts. $126.39
Intercare 0.6p
Nationwide Bldg. Society Fltg. Rate Nts. 1995 $104.46
Newman Tonks 3.8p
Rothmans Intl. B 13p
Wells Fargo Fltg. Rate Sub. Nts. 1997 $134.17
Willoughby's Cons. 1p
Do. Prefd. 1p

■ FRIDAY AUGUST 21
Boots 8.1p
BPB Inds. 7.25p
British Gas Intl. Fin. 10pc Gtd. Bds. 1994 C$100
Burtonwood Brewery 3.75p
Equity Consort Inv. 13.125p
Do. Defd. 26.25p
Exchequer $10\frac{1}{2}$pc 1997 £5.25
Fuller, Smith & Turner A 4.46p
Hasbro $0.05
Jupiter European Inv. 0.1p
Leeds Permanent Bldg. Society Fltg. Rate Nts. 1997 £252.31
Melville Street Invs. 2.5p
Microgen 2.2p
M & W 1p
New Zealand Fltg. Rate Nts. 1993 $214.86
Pilkington 3.07p
Rowe Evans Invs. 1p
Scapa 3.84p
Security Pacific Fltg. rate Sub. Cap. Nts. 1997 $127.78
Sheriff 1p
Symonds Engineering 0.7p
Westpac Banking Sub. Fltg. Rate Nts. 1997 $233.82

■ SATURDAY AUGUST 22
Exchequer $12\frac{1}{2}$pc £6.25
Marston, Thompson & Evershed 3.57p
Trustco Finance $11\frac{1}{2}$pc Deb. 2016 £5.75
TSB Offshore Inv. Fd. Part. Red. Pf. Gilt & Fixed Int. 3.4p
Do. Sterling Deposit 2.414p

■ SUNDAY AUGUST 23
Treasury $2\frac{1}{2}$pc I-L 2011 £2.27

ECONOMICS

GDP may give positive sign

THIS WEEK could see the technical end of the recession in the UK. Although the median forecast is for a small fall in second quarter gross domestic product, the forecasts range from a drop of 0.5 per cent on the first quarter to growth of 0.4 per cent.

It takes only one quarter of positive output - however slim - to mark the end of the statistical recession and last week's better than expected manufacturing output figures could tip the balance. GDP excluding oil and gas production has fallen for seven successive quarters.

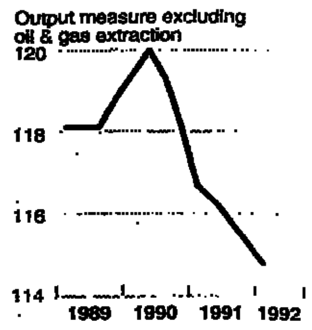
However, there is a risk of the recession continuing into the Autumn. Today's distributive trades survey from the Confederation of British Industry suggests that retail sales are still falling. Official figures on Wednesday are forecast to show flat sales last month.

The following include some of the other economic highlights of the week. The figures in brackets are the median of economists' forecasts from MMS International, a financial information company.

Today: UK, Confederation of British Industry distributive trades survey; France, July consumer prices index (up 0.3 per cent on month, up 2.9 per cent on year); Finland, July CPI; Australia, June export prices; Belgium, markets closed, bank holiday.

UK GDP

Output measure excluding oil & gas extraction



Source: Datastream

Tomorrow: US, July housing starts (1.2m), July building permits, federal open markets committee meeting; UK, July PSBR (£0.4bn), Bank of England quarterly bulletin; Canada, June manufacturing data; Australia, Federal government budget; Sweden, July CPI (flat on month, up 2 per cent on year).

Wednesday: UK, July retail sales (flat on month, down 0.1 per cent on year), second quarter GDP (down 0.2 per cent on quarter, down 0.8 per cent on year); US, June merchandise trade ($6.8bn deficit); June, merchandise exports ($36.1bn); June merchandise imports ($43bn); France, July industrial production (up 0.7 per cent); Canada, June merchandise exports (down 0.5 per cent), imports (up 0.1 per cent), trade balance (C$950m surplus).

Thursday: UK, July money supply data. M0 (up 1 per cent on month, up 2.2 per cent on year), M4 (up 0.4 per cent on month, up 5.3 per cent on year), M4 lending (up £2.9bn); US, initial jobless claims for week ended 8 August (472,000), money supply data for week ended 10 August; Germany, regular Bundesbank council meeting; Australia, Reserve Bank of Australia annual report published, June manufacturing input prices, June import prices, June export prices; Canada, July CPI (seasonally adjusted up 0.2 per cent); New Zealand, second quarter retail trade.

Friday: US, July Treasury budget ($41bn deficit); Canada, June retail sales (down 0.3 per cent).

During the week: Germany, July producer prices index (flat on month, up 1.2 per cent on year), July M3 - from Q4 base (up 8.5 per cent); Sweden, June trade balance, June current account; Netherlands, June trade balance, July unemployment rate (4 per cent); Italy, June wholesale prices index (up 2.8 per cent on year), June producer prices index (up 1.9 per cent); Denmark, July CPI (down 0.2 per cent on month, up 2.4 per cent year).

Emma Tucker

RESULTS DUE

INTERIM results from **Argos**, the catalogue retailer, are due today with most profit estimates between £8.5m and £9.5m pre tax, against £10.7m last year. The figures are hard to forecast as the first half of the year is far less important than the Christmas trading period.

Annual figures from **Ratners**, the jewellery retailer, are also expected this week. The figures for the year to February 1 are expected to show a loss of £125m pre-tax after exceptional costs for rationalisation of £98m and interest charges of around £27m. More interesting will be reports of the group's talks with its bankers and, perhaps, news of a capital restructuring.

BICC, the cables and Balfour Beatty construction group, is likely to announce on Wednesday a pre-tax profit fall of about £10m from the £66m made in the first half of last year. A key question – with an eye on 1993 dividend prospects – will be whether profits are holding up from the European cables business.

Marley, the building products manufacturer which announces interims on Wednesday, is expected to show a further fall in pre-tax profits from £9.3m to about £8m. The bad news should be softened by a maintained interim dividend of 2.1p for the third consecutive year – albeit uncovered. However, the company may indicate a cut in the final pay-out.

Rentokil Group, the environmental services and property care concern, is expected to stay on course for a 20 per cent earnings increase when it announces its half-year results on Thursday. Forecasts are for about £53m compared with £42.3m.

Profits should have been boosted by strong growth from environmental services, while sales will have continued to grow more quickly outside the UK.

Soft insurance markets in the US and a weak dollar will have depressed **Sedgwick** and **Willis Corroon**, the UK's two biggest brokers, which report interim figures on Tuesday and Thursday respectively. Analysts expect pre-tax profits of between £54m and £63m at Sedgwick, compared with £65.3m. Willis's pre-tax profits could fall to between £55m and £65m, from £69.4m.

CONTRACTS & TENDERS

LEGAL NOTICES

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
Registered Name: INTERNATIONAL HOTEL INTERIORS LIMITED
Registered Number: 1057660
Former Names (registered within past 12 months)
Dorro 4 DBCS Limited
Dean & Bowes (Contracts South) Limited
The Flooring People of Brighton, Limited
Trading Name. International Hotel Interiors Limited
Trade classification: 23
Names and addresses of Joint Administrative Receivers:
Vivian Murray Bairstow and Nigel Ruddock
Robson Rhodes, 186 City Road, London EC1V 2NU
Robson Rhodes, 186 City Road, London EC1V 2NU
Date of appointment: 3rd August 1992
By whom appointed: Barclays Bank PLC
Date of Charge: 8th September 1989
Nature of Charge: Fixed and floating charge
V. M. Bairstow and N. Ruddock,
Joint Administrative Receivers

Meeting of Creditors pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
FLUID LIMITED
NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986 that a meeting of the creditors of the above-named Company will be held at Westminster Chamber of Commerce, 177 Regent Street, London W1 on 26th August 1992 at 11.30 a.m. for the purposes provided for in Section 98 et seq.
A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 7th August 1992
S H B Payton, Director

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
Registered Name: POWER'S SUNDRIES (SE) LIMITED
Registered Number: 467138
Trading Name: Power's Sundries (SE) Limited
Trade classification: 15
Names and addresses of Joint Administrative Receivers:
Nigel Ruddock and Ipe Jacob
Robson Rhodes, The Galleria, Station Road, Crawley W Sussex RH10 1HY
Office Holder Numbers: 6877 and 2121
Date of appointment: 10 August 1992
By whom appointed: Barclays Bank PLC
Date of Charge: 25 March 1985
Nature of Charge: Fixed and floating
N. Ruddock, I. Jacob
Joint Administrative Receivers

UNITEX INFORMATION SERVICES LIMITED
(In administrative receivership)
NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices at Robson Rhodes, 186 City Road, London EC1V 2NU on the 28th day of August 1992 at 14.30, for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it, by, or under the Act.
Creditors are only entitled to vote if:
(a) they have delivered to us at the address shown above, no later than 12.00 hours on the business day before the meeting, written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and
(b) there had been lodged with us any proxy which the creditor intends to use on his behalf.
Dated this 11th day of August 1992
V M Bairstow and N Ruddock
Joint Administrative Receivers

Meeting of Creditors pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
KALKARE PROPERTY MAINTENANCE (1992) LTD
NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986 that a meeting of the creditors of the above-named Company will be held at 7 Kenrick Place, London W1H 3FF on 27th August 1992 at 12.00 p.m. for the purposes provided for in Section 98 et seq.
A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 12th August 1992
Michael Francis Bennett, Director

CONFERENCES & EXHIBITIONS

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued) | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NORWAY | SPAIN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

Price data supplied by Telekurs.

CANADA

TORONTO

4:00 pm prices August 14

Quotations in cents unless marked $

[illegible]

Total Sales 8,375,600 shares

MONTREAL

4:00 pm prices August 14

[illegible]

INDICES

NEW YORK

DOW JONES	Aug 14	Aug 13	Aug 12	Aug 11	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	3328.94	3313.27	3320.83	3331.10	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.43	102.29	102.38	102.40	102.43 (14/8)	98.41 (20/3)	102.43 (14/8/92)	54.99 (1/10/81)
Transport	1257.28	1244.06	1249.62	1265.33	1467.68 (20/2)	1244.06 (13/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.33	218.83	219.45	219.95	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 3342.18 (3347.31) Low 3300.84 (3294.09)

STANDARD AND POOR'S

	Aug 14	Aug 13	Aug 12	Aug 11	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	419.91	417.73	417.78	418.90	425.09 (3/8)	394.50 (8/4)	425.09 (3/8/92)	4.40 (1/6/32)
Industrials	492.80	490.46	490.33	491.97	499.51 (3/8)	470.91 (8/4)	499.51 (3/8/92)	3.62 (21/6/32)
Financial	36.43	36.14	36.27	36.23	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	231.06	229.95	229.99	230.61	233.66 (3/8)	217.92 (8/4)	233.66 (3/8/92)	4.46 (25/4/42)
Amex Mkt. Value	386.82	386.73	386.46	388.08	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	573.18	570.99	570.85	571.60	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Aug 7	Jul 31	Jul 24	year ago (approx.)
Dow Industrial Div. Yield	3.12	3.07	3.17	3.08

	Aug 5	Jul 29	year ago (approx.)
S & P Industrial div. yield	2.62	2.59	2.59	2.70
S & P Indl. P/E ratio	29.00	29.34	29.31	21.31

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Compuserv	7,118,600	12	---
Lowes	3,977,900	18¾	- 4⅜
Chrysler	2,369,000	20¾	- ¼
Gen Motors	1,914,800	36⅝	+ ⅞
Black & Decker	1,840,500	19¼	- 1⅛
Limited	1,733,200	21¼	+ 1
First Int	1,675,700	37¼	- ¼
RJ Nabisco	1,516,300	8¾	- ¼
Pepsico	1,413,800	38½	---
Navistar	1,367,700	1¾	- ¼

TRADING ACTIVITY

† Volume Millions	Aug 14	Aug 13	Aug 12
New York SE	166.180	185.700	176.440
Amex	10.942	9.931	10.232
NASDAQ	(u)	143.183	145.152
NYSE			
Issues Traded	2,316	2,315	2,323
Rises	1,101	800	791
Falls	595	908	911
Unchanged	620	607	621
New Highs	76	79	95
New Lows	31	36	48

CANADA

TORONTO	Aug 14	Aug 13	Aug 12	Aug 11	1992 HIGH	1992 LOW
Metals & Minerals	2973.02	2952.37	2948.27	3000.32	3238.87 (16/1)	2828.26 (8/4)
Composite	3368.47	3360.50	3377.80	3404.70	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1762.72	1757.17	1769.15	1787.38	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug 14	Aug 13	Aug 12	Aug 11	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1549.0	1568.4	1570.7	1587.6	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	669.9	681.3	686.0	697.0	726.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	296.27	291.41	292.78	291.70	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	696.08	682.96	686.92	683.45	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1093.45	1090.26	1092.47	1114.76	1235.40 (2/6)	1090.26 (13/8)
DENMARK						
Copenhagen SE (3/1/83)	294.12	293.16	298.20	299.32	365.29 (15/1)	293.16 (13/8)
FINLAND						
HEX General (28/12/90)	655.9	662.7	678.3	668.9	935.90 (24/2)	655.90 (14/8)
FRANCE						
CAC General (31/12/82)	472.49	474.03	477.94	479.41	555.93 (12/5)	472.49 (14/8)
CAC 40 (31/12/87)	1753.46	1722.36	1730.08	1737.80	2077.49 (11/5)	1722.36 (13/8)
GERMANY						
FAZ Aktien (31/12/58)	612.76	607.78	613.60	614.07	725.26 (26/5)	607.78 (13/8)
Commerzbank (1/12/53)	1732.1	1716.6	1734.8	1735.4	2043.80 (25/5)	1716.00 (13/8)
DAX (30/12/87)	1547.80	1540.98	1553.01	1564.60	1811.57 (25/5)	1540.98 (13/8)
HONG KONG						
Hang Seng Bank (31/7/64)	5822.59	5857.11	5879.19	5886.75	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1241.02	1230.57	1230.25	1236.34	1469.57 (17/1)	1230.25 (12/8)
ITALY						
Banca Com. Ital. (1972)	393.78	398.28	401.35	401.49	551.59 (6/2)	393.70 (14/8)
MIB General (2/1/92)	773.0	783.0	789.0	789.0	1086.00 (5/2)	773.00 (14/8)
JAPAN						
Nikkei (16/5/49)	14820.25	14768.17	14733.79	14822.56	23801.18 (6/1)	14733.79 (12/8)
Tokyo SE (Topix) (4/1/68)	1123.13	1117.50	1114.02	1126.80	1763.43 (6/1)	1114.02 (12/8)
2nd Section (4/1/68)	1525.47	1530.86	1551.82	1588.49	2459.85 (6/1)	1525.47 (14/8)
MALAYSIA						
KLSE Composite (4/4/86)	581.94	592.18	594.57	597.80	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tfl.Rtn Gen.(End 1983)	287.6	285.3	285.3	285.3	314.90 (9/6)	274.80 (8/1)
CBS All Shr (End 1983)	196.4	194.9	194.9	194.9	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	620.19	618.84	616.46	618.99	772.74 (18/5)	614.84 (13/8)
PHILIPPINES						
Manila Comp (2/1/85)	1520.17	1491.46	1471.25	1446.67	1980.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	362.65	370.45	368.19	375.51	416.99 (21/1)	362.65 (14/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	936.04	937.0	980.6	994.	1327.00 (21/1)	936.00 (14/8)
JSE Industrial (28/9/78)	3973.0	3997.0	4049.0	4159.0	4689.00 (4/6)	3973.00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	478.90	488.25	492.66	502.45	691.48 (8/2)	478.90 (14/8)
SPAIN						
Madrid SE (30/12/85)	207.58	205.49	205.76	209.57	266.51 (28/2)	205.49 (13/8)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	823.2	816.5	815.9	827.8	1014.50 (11/5)	815.90 (12/8)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	836.8	833.8	837.5	840.6	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	625.5	624.1	628.0	631.2	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	3914.90	3893.34	3901.61	3958.28	5391.63 (30/1)	3893.34 (13/8)
THAILAND						
Bangok SET (30/4/75)	754.48	756.26	(c)	754.84	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	481.9*	479.8	478.9	480.8	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	827.35	818.08	820.94	827.34	976.55 (25/5)	818.08 (13/8)

**Saturday August 8: Taiwan Weighted Price: 4030.79, Korea Comp Ex. 494.35.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 14 August 1992

	Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	5.6m	770	+21
Nippon Jutaki	4.6m	118	+16
Okamoto Inds	4.0m	930	+80
Jpn Mtl & Chem	3.8m	390	+35
Mochida Pharm	3.3m	2,320	+90
Nippon Steel	3.1m	247	
Toshiba Corp	2.7m	546	-5
Kawasaki Steel	2.1m	233	-1
Tobishima Corp	2.1m	244	-14
Chiyoda Corp	2.0m	1,380	+70

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AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Global American	5	111.2	112.4	118.3	0.00	40091
AIB Grofund Equity	5	162.5	164.1	174.3	3.15	40093
AIB Grofund Gilt	3	122.7	124.5	131.0	3.14	40094
AIB Grofund Gilt	3	69.47	69.48	71.63	8.41	40095
AIB Grofund Japan	5	85.84	86.85	91.60	0.00	40096
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	119.0	119.0	126.2	8.20	40001
High Inc Equity	6	112.0	114.5	121.8	6.98	40002
Worldwide Bond	6	213.2	213.2	226.0	6.30	40003
Capital Growth						
American Growth	6	186.6	186.6	199.5	.00	40004
Asian Pacific	6	134.1	137.5	146.2	1.09	40005
Assets & Earnings	6	166.2	166.2	177.7	3.82	40006
Capital Reserve Acc	0	117.3	117.3	117.3	7.65	40007
Capital Reserve Inc	0	86.75	86.75	86.75	7.65	40208
Country & Energy	6	57.05	57.05	61.01	1.20	40008
1992 Emerging	6	62.70	62.70	67.05	3.16	40097
Euro Capital Acc	6	85.19	85.19	91.11	1.14	40009
Euro Capital Inc	6	80.73	80.73	86.34	1.16	47581
General	6	150.1	150.1	160.5	3.41	40010
Japan	6	61.12	61.12	65.36	–	40011
Mastertrust	6	78.92	78.92	84.40	2.96	40012
UK Growth Acc	6	141.9	149.5	159.0	3.39	40013
UK Growth Dist	6	89.60	94.38	100.4	3.39	40014
US Emerging Cos	6	66.66	66.66	71.29	–	40015
Income & Growth	6	267.0	267.0	285.9	4.90	40016
Ethical	6	47.84	49.21	52.35	3.78	40017
International	6	54.22	55.10	58.61	1.43	40018
Dividend & Growth	6	42.18	43.04	45.78	6.45	40071
Global Gwth & Sec	6	54.18	54.40	57.87	2.76	40019
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	977.0	977.0	1035.0	–	40020

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Brown Shipley & Co Ltd – Contd.						
Intl Income	6	69.22	69.22	71.72	6.64	40189
Intl Growth	6	22.99	22.99	24.48	0.30	40190
Monthly Income	6	50.24	51.96	55.34	6.09	40192
North American	6	71.30	71.30	76.15	0.29	40197
Orient	6	63.87	63.87	68.71	–	40200
Recovery	6	25.18	25.18	26.94	4.30	40201
Smaller Cos Acc	6	185.7	185.7	192.8	–	40202
Smaller Cos Inc	6	110.4	110.4	117.6	1.96	40203
Brycourt Unit Tst Mngmt Ltd (1400)F						
Howarth Hse, Portman Sq, W1H 0JR 071-935 6088						
Income Growth	1	157.8	157.8	162.5	7.14	40204
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Fellowship Trst	5¼	45.47	45.47	48.20	4.10	40206
(Accum Units)	5¼	49.82	49.82	52.81	4.10	40207
Income	5¼	160.9	163.2	173.7	4.75	40208
(Accum Units)	5¼	357.2	362.6	385.8	5.75	40211
Smaller Co's	5¼	87.36	87.36	92.81	1.79	40214
(Accum Units)	5¼	103.1	103.1	109.3	1.79	40215
Inv Portfolio	3	50.04	50.04	51.79	3.24	46339
(Accum Units)	3	56.05	56.05	58.01	3.24	46858
High Income Port	3	45.34	46.20	47.88	6.25	46857
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-488 7216						
Short Dated Gilt	1¼	63.08	63.08	63.95	7.32	40216
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 081-740 7070						
UK General Tst	5¼	47.42	48.49	51.59	2.86	40217
Global Tst	5¼	35.71	36.64	37.98	0.35	40218
Recovery Tst	5¼	44.95	45.95	48.86	0.92	40219
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061-837 5060						
Environ	6	101.5	103.8	110.5	2.49	40770
UK Growth	6	107.6	109.4	116.4	3.18	47646
UK Income	6	94.08	95.59	102.7	6.09	47644
For CS Fund Mngrs see City Financial UT						
Canada Life Unit Tst Mgrs Ltd (1200)F						
High St, Potters Bar, Herts, EN6 5BA 0707 51122						
Can Gen Dist	6	120.8	132.5	140.9	3.56	40225
Do Gen Accum	6	230.0	242.9	257.5	3.56	40226
Do Income Dist	6	78.76	80.88	85.79	7.82	40227
Do Inc Accum	6	213.3	219.0	232.3	7.03	40228
Gilt & Fxd Int	6	36.80	36.86	39.07	7.47	40229

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Mercury Fund Managers Ltd (1000)H						
33 King William St, EC4R 9AS 071-280 2060						
American	5	124.6	124.6	132.7	0.00	40918
(Accum Units)	5	133.1	133.1	141.8	0.00	40919
American Opps	5	50.60	50.60	53.98	0.00	40922
(Accum Units)	5	51.30	51.30	54.72	0.00	40923
British Blue Chip	5	57.87	57.88	61.74	4.32	40924
(Accum Units)	5	66.19	66.19	70.61	4.32	40925
Cash	0	100.6	100.6	100.6	9.72	46004
(Accum Units)	0	124.0	124.0	124.0	9.72	46003
European Growth	5	148.6	148.6	157.3	0.56	40926
(Accum Units)	5	159.2	159.2	168.6	0.56	40927
European Income	5	58.58	58.58	62.03	3.78	40928
(Accum Units)	5	73.17	73.17	77.49	3.78	40929
General	5	354.3	355.8	379.6	3.37	40932
(Accum Units)	5	658.4	661.3	705.4	3.37	40933

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American ♥	5	248.0	248.0	263.8	0.89	41410
(Accum Units) ♥	5	291.1	291.1	310.5	0.89	41411
British	5	741.1	757.2	801.1	6.72	41416
(Accum Units)	5	1242.8	1269.8	1343.4	6.72	41417
European	5	325.4	325.4	346.6	1.41	41418
(Accum Units)	5	352.7	352.7	375.7	1.41	41419
Japan	5	76.42	76.42	81.26	-	41420
(Accum Units)	5	77.03	77.03	81.91	-	41421
New Pacific	5	192.6	193.1	205.7	1.72	46380
(Accum Units)	5	200.1	200.6	213.7	1.72	47984
Investment Tst Aug 12	5	125.8	128.9	136.6	-	47588
Mngd Equity	5	115.9	117.2m	124.0	2.19	47586
Mngd Equity Acc	5	125.4	126.8	134.2	2.19	40556
Mngd Cash	0	96.18	96.18m	96.18	9.41	47585
(Accum Units)	0	122.9	122.9	122.9	9.41	40267
Majority Stlg	1	100.31	100.31	101.31	9.33	42780
Majority Stlg Acc	1	113.15	113.15	114.28	9.33	46689

Storebrand Intl Inv Magrs Ltd (1200)F
Admin. 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

International Aug 14	0	47.43	47.43	47.78	0.88	49906

Sun Alliance Unit Tst Magmt Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 690389

Equity	6	563.4	563.4	602.6	3.44	41425
North America	6	74.84	74.84	80.04	0.74	41426
Far East	6	74.03	74.03	79.18	0.60	41425
W'wide Bond	6	47.86	47.86	50.91	6.12	41428
European	6	62.99	62.99	67.37	1.57	41429
Equity Income	6	62.33	62.33	66.66	5.63	41430
Portfolio	6	52.81	52.81	56.48	2.01	41431
UK Leading Cos	6	40.53	41.12	43.74	3.42	-
Broker Trusts						
Initial Equity	6	40.36	40.84	43.68	3.13	-

Sun Life of Canada Unit Mgrs Ltd (1000)H

Lazard Investors Ltd ‡‡
Exempt Funds

	Bid Price	Offer Price	Yield Gross	City-line
Small Co's Aug 12	£3656.7	3826.1	3.85	40766
European Aug 12	£553.0	558.7	2.04	40776
American Aug 12	£323.0	326	1.83	40773
Japan Aug 12	£331.2	336.0	1.94	40774
Pacific Aug 12	£131.9	134.9	1.29	40775
W Midlands Jul 31	£119.30	133.90	2.69	40771

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

Property Jul 31	189.50	195.30	8.20	40825
Equity Jul 31	824.75	836.30	4.00	40826

* Available only to Local Authorities

M & G Securities Ltd

Charibond Aug 12	102.28xd		10.95	40883
(Accum Units)	652.48		10.95	40884
NAACIF Aug 11	38.50xe		9.66	46917

Morgan Grenfell Investment Funds Ltd
Exempt Funds

UK Equity † Aug 11	117.6	126.6	2.16	46925
UK Small Co † Aug 11	444.0	490.4	4.09	46926
Fixed Interest † Aug 11	110.9	116.7	8.57	46920
US Small Co Aug 11	137.3	147.7	0.00	46927
Managed Aug 11	99.30	106.4	3.77	46924
Intl Bond Aug 11	123.6	130.3	9.88	47790
Japan Aug 11	48.93	52.14	6.10	47877
European Aug 11	87.72	93.97	1.77	47876
Nth American Aug 11	103.2	111.0	1.41	47878

Morgan Stanley International

UK Exempt	£906.27	929.15	-	-
Overseas Exempt	£914.99	942.86	-	-

Murray Johnstone UT Mngmt
Murray Exempt Funds

American Exempt	48.29	50.18xd	1.52	41064
European Exempt	45.89	47.31xd	3.20	41065
Fixed Int Ex Aug 12	46.67	47.13	9.08	46594

INSURANCES

OTHER UK UNIT TRUSTS

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MANAGEMENT SERVICES

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sarasin Funds Mngmt (Guernsey) Ltd						
PO Box 246 St Peter Port, Guernsey 0481 723021						
Eurosar £ (20-1)	5	£-	19 73	21 05	-	47526
(Accum Units) (20-1)	5	£-	19 85	21 18	-	47750
Eurosar SFr (20-1)	5	SFr-	50 32	53 70	-	47527
(Accum Units) (20-1)	5	SFr-	50 62	54 03	-	47751
GlobalSar-Fergus £	5	£-	13 43	14 26	-	45531
(Accum Units)	5	£-	13.96	14 83	-	44995
GlobalSar-Fergus US$	5	$-	25 89	27 49	-	44059
(Accum Units)	5	$-	26 91	28 59	-	45019
GlobalSar-Fergus SFr	5	SFr-	34 26	36 39	-	43808
(Accum Units)	5	SFr-	35 62	37 83	-	45012
Schroder Investment Mngmt (Guernsey) Ltd						
PO Box 255 St Peter Port Guernsey 0481 710651						
European Bd $	3	$1.4098	11.4098	11.8034	7.90	44471
European Bond £	3	£5 9213	5 9213	6 1256	7 90	41697

GUERNSEY (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
Adams & Nevile Fund Mngt (Guernsey) Ltd				
Worldinvest Emer Cos	$50 52		0.55	46314
Arab Bank Fund Managers (Guernsey) Ltd				
ABL International Fund Ltd				
Managed Currency	$10 98	11 00	-	47941
International Bond	$11 20	11 23	-	47940
Bachmann Global Investment Fund Ltd				
International Bond	$136.33	139 59	-	45807
Cash Gilt & Stlg Fxd Int	£14 07	14 40	-	45821
Credit Suisse Asset Mnmgt (Guernsey) Ltd				
Olympic Options Ltd	£9 0867	9 3696	-	40411
Olympic Options Intl Ltd	$10 67	11 01	-	47331
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	DKr115 9	116 21	-	44873
Hambros Fund Managers (CI) Ltd				
Japanese DTC	$5 9111	6 2919	-	43795
Hauteville Fund Managers (Guernsey) Ltd				
Hauteville G & B Fd	SFr8 41	8.53	2 15	46845
Havelet Throgmorton Mngmt Ltd				
Global Equity	£0 988	1 064	-	45230
Intl Inv-Stlg High Inc	£10 846	11 427	0 66	47649
Intl Inv-Intl High Inc	$51.796	54 629	4 91	47648
Henderson Admin. (Guernsey)				
Balanced Gwth $ Prtflo	$2 241	2 394	-	45226
Balanced Gwth £ Prtflo	£1 129	1 308	-	45227
Select Mkts $ Prtflo	$2 149	2 295	-	45228
Inc & Gwth $ Prtflo	$1 693	1 798	-	45229
Kleinwort Benson Intl Fd Mngrs Ltd				

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IRELAND (SIB RECOGNISED)

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IRELAND (REGULATED)(**)

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ISLE OF MAN (SIB RECOGNISED)

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Gartmore Fund Managers (IoM)
PO Box 32, Douglas, IoM 0624 627610

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Intl Grth	5¼	448 9	448 9	481.3	0 9	45095

Leopold Joseph Fund Mngrs (IoM) Ltd
PO Box 52 Athol St Douglas IoM 0624 661020

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
LJ International	5¼	83 84	83 84	90.26	–	46804

Mercury Fund Managers IoM Ltd
11 Hill Street, Douglas IoM 0624 662255

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Merc IoM Fund	5	95.63	95 63	102.1	6.5	46970
Merc Intl Bond	5	50 74	50 74	53.34	8 4	46971

Sun Life Management (IoM) Ltd
PO Box 178, Douglas, IoM 0624 622444

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Secure High Income	6	£1.0317	1.0317	1.1062	8.14	47486

Unibank Scandinavian Fund Ltd
19-21, Circular Rd, Douglas, IoM 0624 629420

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Scandinavia Fd	5	–	122.95	131.03	1.0	45223

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (SG) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
SG International	$10 78		–	49889

Appleton Financial Advisors Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Appleton Capital Trust	94.0	100.0	–	–

CMI Fund Mngrs (IOM)

	Bid Price	Offer Price	Yield Gross	City-line
Traders Fund Ltd H*	$17.07	18.45	–	46369

*Dealings Wednesday

City Financial Admin (IoM) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Beckman Options & Warrants	0 61	0.69	0.00	47332
Beckman Options & Warrants $	$1.17	1.39	0 00	47333
Beckman Reserve Assets	103	103	2.68	47338

Duncan Lawrie Inv. Mgt. Ltd

	Bid Price	Offer Price	Yield Gross	City-line
DL Sterling	113.7	119.4	5.3	44881
DL International	$1.43	1.51	2.3	44882

Equitilink International Mngt Ltd
First Aust, Prime Inc Inv Co Ltd NAV Aug 13 C$12 54xd
First Aust Prime Inc Inv Co Ltd NAV Aug 13 US$10.52xd
NAV Diluted to reflect exercise of all Wrrts C$12.34xd US$10.36xd

Fidelity Investment (CI) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Sterling American	£2.491	2.622	–	44979

Fleming Group
Robert Fleming Management (Jersey) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Deutschland Inv Co NAV	DM16 53		–	45896

Foreign & Colonial Mngmt (Jersey) Ltd
Hypo Foreign & Colonial Reserve Asset Fd Ltd

	Price		City-line
US$ Cash	$10 78	–	45005
Sterling Cash	£12 18	–	45007
US$ Bonds	$15 44	–	45008
Multicurrency Bonds	$20.98	–	45009
Sterling Bonds	£13 29	–	45010
D Mark Bonds	DM10 60	–	45011
Ecu Bonds	Ecu11.43	–	45013
UK Equities	£9 44	–	45014
US Equities	$16.70	–	45015
Japanese Equities	Y493	–	45016
Cont'l Euro Equities	DM15.39	–	45017
UK Negative Equities	£14.11	–	–
US Negative Eq.	$9.95	–	–
Japanese Negative Eq.	Y1102	–	–
Cont Eur Negative Eqs.	DM10 04	–	–
UK Geared Equities	£–	–	–
US Geared Equities	$–	–	–
Japanese Geared Eqs.	Y–	–	–
Cont'l Euro Geared Eqs.	DM–	–	–
Gold	$9.59	–	–

John Govett Management (Jersey) Ltd

	Price		City-line
Malays'n Emer'g NAV Aug 13	$9 98	–	47997
Spec Swiss Fd NAV Aug 14	$7 92	–	47863
Paragon Fd NAV Jul. 31	$10 79	–	47955
Paragon Redemption	$9.91	–	47106
Hungarian Inv Co Jul 31	104.55	–	40573

INVESCO MIM International Limited
All Funds deal daily except where indicated.

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Waiting for M3

GERMAN monetary policy will come under even closer scrutiny this week, as the D-Mark threatens to make further gains against both the US dollar and European currencies, *writes James Blitz.*

UK clearing bank base lending rate
10 per cent
from May 5, 1992

Last week's figure for German wholesale prices in July suggested that inflationary pressures had eased, and slowed the D-Mark's gains against the dollar. Dealers believe that falling German inflation will reduce the need for the Bundesbank to keep interest rates high, reducing the wide differential between US and German short-term rates that is driving the market.

July's figure for M3 money supply in Germany, which is due out this week, will help to confirm whether the pressure on rates has really eased. The indicator is the guiding light of Bundesbank policy, and is expected to remain high, at around 8.6 per cent from a previous close of 8.7 per cent. Some analysts think that the figure could even come in above 9 per cent, ensuring tight monetary policy.

The markets will keep a close eye on the Bundesbank's weekly intervention in the money market. Last week, the central bank triggered a fall in the dollar by withdrawing more liquidity than was expected, pushing call money up to the Lombard rate level. If the Bank adds net liquidity on Wednesday, the D-Mark could weaken.

Inside the European Monetary System, the main attention will be on sterling. Barring open intervention from the Bank of England, sterling's key indicator will be the provisional figure for second quarter GDP, due out on Wednesday. After a ½ per cent fall in the first quarter, the market believes that the decline is slowing down to -0.2 per cent.

£ IN NEW YORK

Aug 14	Close	Previous Close
£ Spot	1.9210-1.9220	1.9340-1.9350
1 month	1.08-1.06pm	1.10-1.08pm
3 months	3.23-3.20pm	3.27-3.24pm
12 months	11.7-11.6pm	12.0-11.9pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug 14	Previous
8.30 am	91.9	92.0
9.00 am	91.9	92.0
10.00 am	91.9	92.0
11.00 am	91.9	92.0
Noon	91.9	92.0
1.00 pm	91.9	92.0
2.00 pm	91.8	92.0
3.00 pm	91.8	92.0
4.00 pm	91.8	92.1

CURRENCY MOVEMENTS

Aug 14	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.8	-20.0
U.S Dollar	60.2	-18.6
Canadian Dollar	98.4	-3.0
Austrian Schilling	111.5	+13.3
Belgian Franc	113.4	-0.6
Danish Krone	111.6	+5.3
D-Mark	121.7	+27.5
Swiss Franc	109.3	+17.3
Dutch Guilder	116.5	+17.8
French Franc	106.1	-10.8
Lira	99.9	-19.3
Yen	137.8	+73.1
Peseta	108.2	-17.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Aug.13

OTHER CURRENCIES

Aug 14	£	$
Argentina	1.9015 - 1.9045	0.9905 - 0.9915
Australia	2.6650 - 2.6670	1.3875 - 1.3885
Brazil	8788.25 - 8789.75	4575.50 - 4575.60
Finland	7.7185 - 7.7415	4.0225 - 4.0255
Greece	345.770 - 351.250	179.200 - 182.060
Hong Kong	14.8395 - 14.8530	7.7305 - 7.7315
Iran	2775.00*	1435.00*
Korea(Sth)	1514.85 - 1539.25	787.10 - 793.30
Kuwait	0.56390 - 0.56500	0.29370 - 0.29420
Luxembourg	57.90 - 58.00	30.20 - 30.30
Malaysia	4.7940 - 4.8065	2.4995 - 2.5005
Mexico	5760.00 - 5772.60	3072.50 - 3073.50
N.Zealand	3.5645 - 3.5685	1.8555 - 1.8575
Saudi Ar	7.2070 - 7.2840	3.7495 - 3.7505
Singapore	[illegible]	[illegible]
S.Af (Cm)	[illegible]	[illegible]
S.Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Floating rate, Iran Official rate

CURRENCY RATES

Aug 14	Bank rate %	Special* Drawing Rights	European† Currency Unit
Sterling	-	0.751944	0.722033
U.S Dollar	3.00	1.44862	1.39042
Canadian $	5.50	1.72661	1.65774
Austrian Sch	7.50	14.9251	14.3227
Belgian Franc	8.50	43.7012	41.9281
Danish Krone	9.50	8.17746	7.84613
D-Mark	8.75	2.12063	2.03529
Dutch Guilder	8.50	2.38819	2.29433
French Franc	10¼	7.18443	6.90065
Italian Lira	13.75	1609.95	1546.15
Japanese Yen	3.25	184.409	175.401
Norway Krone	-	8.36216	8.02550
Spanish Peseta	-	135.652	130.448
Swedish Krona	10.00	7.71752	7.40815
Swiss Franc	7.00	1.91508	1.83674
Greek Drach	19	N/A	251.666
Irish Punt	-	N/A	0.766747

POUND SPOT - FORWARD AGAINST THE POUND

Aug 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9160 - 1.9305	1.9160 - 1.9170	1.09-1.07cpm	6.76	3.24-3.21pm	6.73
Canada	2.2865 - 2.3065	2.2870 - 2.2880	0.98-0.94cpm	5.04	3.04-2.93pm	5.22
Netherlands	3.1600 - 3.1800	3.1675 - 3.1775	¼cpm-par	0.24	¼-parpm	0.16
Belgium	57.85 - 58.10	57.90 - 58.00	2-3cdis	-0.52	9-2pm	0.38
Denmark	10.8425 - 10.8800	10.8425 - 10.8525	¾-1⅛oredis	-1.38	2-4⅛dis	-1.13
Ireland	1.0600 - 1.0650	1.0610 - 1.0620	0.06-0.03cpm	0.51	0.15-0.09pm	0.45
Germany	2.8125 - 2.8300	2.8125 - 2.8175	¼-parpfpm	0.27	¼-¼pm	0.27
Portugal	240.50 - 241.80	240.50 - 241.00	56-135cdis	-4.76	161-449dis	-5.07
Spain	180.30 - 181.10	180.35 - 180.65	50-57cdis	-3.56	146-156dis	-3.35
Italy	2137.75 - 2144.75	2138.25 - 2139.25	10-13lirdis	-6.45	27-31dis	-5.42
Norway	11.0625 - 11.1300	11.0675 - 11.0775	½-1⅛oredis	-0.88	1⅛-2⅛dis	-0.63
France	9.5350 - 9.5775	9.5350 - 9.5450	⅛-⅜cdis	-0.31	⅛-⅞dis	-0.26
Sweden	10.2325 - 10.2725	10.2375 - 10.2475	1⅜-2⅛oredis	-2.34	5½-6⅝dis	-2.37
Japan	241.50 - 243.75	241.50 - 242.50	1¼-1⅛ypm	5.89	3⅞-3¼pm	6.30
Austria	19.77 - 19.87	19.78 - 19.81	⅝-½gropm	0.34	2⅞-¼pm	0.37
Switzerland	2.5325 - 2.5500	2.5325 - 2.5425	½-⅜cpm	2.07	1¼-1pm	1.77
Ecu	1.3825 - 1.3865	1.3845 - 1.3855	0.10-0.13cpm	1.00	0.22-0.29dis	-0.74

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.33-6.28pm. 12 Month 11.75-11.65pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9160 - 1.9305	1.9160 - 1.9170	1.09-1.07cpm	6.76	3.24-3.21pm	6.73
Ireland†	1.8045 - 1.8190	1.8065 - 1.8075	1.10-1.08cpm	7.24	3.29-3.23pm	7.22
Canada	1.1910 - 1.1950	1.1925 - 1.1935	0.16-0.18cdis	-1.71	0.44-0.49dis	-1.56
Netherlands	1.6415 - 1.6570	1.6550 - 1.6560	0.91-0.94cdis	-6.70	2.72-2.77dis	-6.63
Belgium	30.00 - 30.30	30.20 - 30.30	17.00-18.00cdis	-6.94	46.00-50.00dis	-6.35
Denmark	5.6225 - 5.6650	5.6575 - 5.6625	3.75-4.25oredis	-8.48	11.10-12.00dis	-8.16
Germany	1.4560 - 1.4700	1.4680 - 1.4690	0.81-0.82pfdis	-6.66	2.42-2.44dis	-6.62
Portugal	124.85 - 125.55	124.90 - 125.00	102-110cdis	-10.18	335-350dis	-10.96
Spain	93.45 - 94.25	94.10 - 94.20	79-82cdis	-10.26	238-243dis	-10.22
Italy	1107.75 - 1116.25	1115.75 - 1116.25	11.40-12.40liredis	-12.80	33.50-36.00dis	-12.46
Norway	5.7475 - 5.7875	5.7750 - 5.7800	3.70-4.10oredis	-8.10	10.80-11.60dis	-7.75
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 4⅞-4⅞ per cent; three years 5-5⅛ per cent; four years 5⅜-5⅝ per cent; five years 5⅞-5⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.14) 3 months US dollars: bid 3⅛ offer 3¼ — 6 months US Dollars: bid 3⅜ offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; U.S. TREASURY BILLS (IMM) $1m points of 100%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev.
Sep	96.62	96.63	96.59	96.60
Dec	96.36	96.38	96.33	96.34
Mar	96.34	96.36	96.27	96.27
Jun	96.05	96.08	95.97	95.97
Sep	95.65	95.68	95.56	95.56
Dec	95.05	95.07	94.95	94.97
Mar	94.86	94.89	94.76	94.79
Jun	94.48	94.51	94.38	94.42

BRITISH POUND (IMM) $s per £

	Close	High	Low	Prev.
Sep	1.9186	1.9220	1.9050	1.9242
Dec	1.8790	1.8850	1.8744	1.8918
Mar	1.8490	-	-	1.8614

STANDARD & POORS 500 INDEX $500 times index

	Close	High	Low	Prev.
Sep	420.30	420.90	417.55	416.95
Dec	420.65	421.25	417.90	417.35
Mar	421.10	-	-	417.80
Jun	421.55	-	-	418.30

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Sep	0.7546	0.7608	0.7497	0.7617
Dec	0.7453	0.7459	0.7404	0.7521
Mar	0.7469	-	-	0.7436

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.825	9.20	9.20	9.25	9.26	-	0.22	0.94	2.49
1.850	6.75	6.75	6.93	7.23	-	0.41	1.55	3.37
1.875	4.25	4.48	4.96	5.50	-	0.92	2.39	4.50
1.900	1.85	2.73	3.34	4.11	-	1.73	3.49	5.88
1.925	-	1.53	2.29	3.01	0.50	3.04	4.98	7.47
1.950	-	0.76	1.45	2.20	3.00	4.81	6.72	9.18
1.975	-	0.32	0.88	1.55	5.50	6.88	8.63	11.09

Previous day's open int: Calls 376,018 Puts 586,516 (All currencies)
Previous day's volume: Calls 10,671 Puts 13,160 (All currencies)

LONDON MONEY RATES

Aug 14	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9⅝	9¾	10¼	10¼	10¼	10¼
Interbank Bid	7½	9½	9¾	10⅛	10⅛	10⅛
Sterling CDs	-	-	9⅞	10⅛	10⅛	10⅛
Local Authority Deps.	9¾	9¾	10⅛	10¼	10⅛	10¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt. Deps	9⅞	9⅝	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10	10⅛	10¼	10⅛
Treasury Bills (Buy)	-	-	9¾	9⅞	9⅝	-
Bank Bills (Buy)	-	-	9⅞	9⅞	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.31	3.28	3.32	3.50
SDR Linked Dep. Offer	-	-	6⅛	6⅜	6¼	6⅜
SDR Linked Dep. Bid	-	-	5⅞	6⅛	6⅛	6⅛
ECU Linked Dep. Offer	-	-	10⅝	10⅝	10⅞	10⅝
ECU Linked Dep. Bid	-	-	10⅜	10⅜	10⅞	10⅜

Treasury Bills (sell): one-month 9⅞ per cent; three months 9⅝ per cent; six months 9⅞ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.6344 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1992. Agreed rates for period August 26, 1992 to September 22, 1992, Scheme I: 11.27 p.c., Schemes II & III: 11.46 p.c. Reference rate for period July 1, 1992 to July 31, 1992, Scheme IV&V: 10.188 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from August 1, 1992; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992, Deposits withdrawn for cash 5 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	Fri Aug 14 1992 US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	Thu Aug 13 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index 1992 High	1992 Low	Year ago (approx)
Australia (68)	131.66	-12.7	101.85	105.07	100.52	121.55	-7.9	4.49	132.95	102.05	106.90	100.81	123.13	153.68	131.66	147.65
Austria (19)	141.21	-15.2	109.24	112.69	107.81	107.66	-17.9	2.71	139.75	107.27	112.37	105.97	106.16	186.70	139.27	173.13
Belgium (42)	141.16	-2.2	109.20	112.65	107.77	105.31	-5.3	5.84	141.56	108.66	113.82	107.34	104.91	152.27	135.87	128.59
Canada (114)	125.48	-7.9	97.07	100.13	95.79	108.40	-5.0	3.22	125.25	96.14	100.70	94.97	108.15	142.12	124.32	139.61
Denmark (35)	228.24	-14.6	176.56	182.15	174.25	175.70	-18.1	2.00	226.72	174.03	182.30	171.92	173.38	273.94	226.72	253.18
Finland (15)	68.27	-12.5	52.81	54.49	52.12	57.66	-14.8	2.45	69.35	53.23	55.77	52.59	58.39	89.80	68.27	98.28
France (104)	156.56	+4.1	121.12	124.94	119.52	122.24	+0.0	3.68	155.20	119.13	124.78	117.67	120.45	168.75	148.06	131.61
Germany (64)	115.49	-1.6	89.34	92.18	88.17	88.17	-4.7	2.59	115.32	88.52	92.73	87.44	87.44	129.69	114.67	107.75
Hong Kong (53)	241.01	+36.7	186.45	192.34	184.01	239.22	+35.8	3.44	242.87	186.42	195.28	184.17	241.09	259.55	176.36	168.92
Ireland (16)	155.79	-7.2	120.52	124.33	118.94	121.48	-10.2	4.34	154.68	118.73	124.37	117.29	119.75	173.71	151.78	153.29
Italy (78)	61.49	-18.4	47.57	49.07	46.95	51.25	-20.7	4.05	62.67	48.11	50.39	47.52	51.84	80.86	61.30	72.13
Japan (473)	89.12	-34.4	68.94	71.12	68.05	71.12	-33.7	1.20	88.02	67.56	70.77	66.76	70.77	140.95	87.32	125.84
Malaysia (69)	232.12	+8.4	179.57	185.24	177.21	223.50	-0.4	2.82	237.14	182.03	190.67	179.81	228.24	250.47	212.49	203.32
Mexico (18)	1381.55	-0.7	1068.76	1102.54	1054.77	4641.81	+0.4	1.29	1385.19	1063.25	1113.76	1050.35	4653.27	1789.77	1303.41	1136.39
Netherland (25)	162.16	+6.2	125.46	129.41	123.81	122.53	+2.9	4.57	161.98	124.33	130.24	122.82	121.54	167.29	147.88	136.87
New Zealand (14)	42.38	-9.8	32.79	33.83	32.36	41.78	-9.5	5.44	43.09	33.07	34.65	32.67	42.62	48.52	42.01	46.80
Norway (23)	155.34	-13.1	120.17	123.97	118.60	121.82	-15.8	2.07	153.45	117.79	123.39	116.36	119.81	192.95	153.28	200.79
Singapore (38)	184.20	-16.2	142.50	147.00	140.63	136.75	-16.6	2.42	190.58	146.29	153.24	144.51	141.40	229.63	184.20	187.11
South Africa (61)	188.47	-24.3	145.80	150.40	143.88	155.72	-10.0	3.27	192.17	147.50	154.51	145.71	156.58	263.60	188.47	247.91
Spain (49)	134.67	-13.9	104.18	107.47	102.81	96.05	-16.2	6.11	133.97	102.83	107.72	101.59	94.79	161.72	133.79	147.68
Sweden (30)	182.84	+0.9	141.44	145.92	139.60	144.67	-2.7	2.84	182.41	140.02	146.67	138.32	143.32	200.28	173.09	188.70
Switzerland (62)	110.31	+9.9	85.34	88.04	84.23	90.55	+7.4	2.37	110.72	84.99	89.03	83.97	90.27	113.88	95.99	92.12
United Kingdom (228)	178.92	-3.5	138.41	142.77	136.59	138.41	-5.8	5.29	177.40	136.17	142.63	134.51	136.17	200.07	165.85	174.28
USA (522)	171.13	+0.7	132.38	136.57	130.66	171.13	+0.7	2.94	170.29	130.71	136.93	129.13	170.29	173.10	160.92	156.72
Europe (790)	144.30	-2.3	111.63	115.16	110.17	111.45	-5.1	4.28	143.69	110.29	115.53	108.96	110.18	156.88	139.31	136.97
Nordic (103)	168.50	-8.3	130.35	134.47	128.64	127.11	-11.7	2.49	167.78	128.79	134.91	127.22	125.73	188.52	167.78	186.00
Pacific Basin (715)	95.56	-30.3	73.93	76.27	72.96	77.50	-29.5	1.58	94.74	72.72	76.18	71.84	77.34	141.97	94.15	127.47
Euro-Pacific (1505)	115.27	-18.6	89.17	91.99	88.00	91.55	-19.4	2.95	114.54	87.92	92.09	86.85	90.93	145.21	113.80	131.58
North America (636)	168.27	+0.3	130.17	134.30	128.49	166.85	+0.5	2.95	167.47	128.55	134.67	127.01	166.05	170.31	158.70	155.58
Europe Ex. UK (562)	123.30	-1.5	95.38	98.42	94.16	95.91	-4.7	3.55	123.15	94.53	99.04	93.40	95.15	132.98	121.81	114.85
Pacific Ex. Japan (242)	159.13	+6.1	123.10	127.01	121.50	143.73	+6.8	3.73	161.13	123.68	129.58	122.19	145.72	175.31	149.00	143.70
World Ex. US (1698)	117.20	-18.3	90.66	93.53	89.48	93.89	-18.6	2.95	116.54	89.45	93.71	88.37	93.29	146.91	116.18	133.66
World Ex. UK (1992)	130.27	-12.0	100.78	103.97	99.47	115.25	-11.8	2.84	129.63	99.50	104.24	98.30	114.75	150.58	127.21	137.21
World Ex. So. Af. (2159)	134.17	-10.9	103.79	107.08	102.44	117.03	-11.3	2.94	133.42	102.41	107.28	101.18	116.34	153.05	130.04	139.72
World Ex. Japan (1747)	159.56	-0.8	123.44	127.35	121.84	144.09	-1.5	3.45	159.04	122.08	127.89	120.61	143.23	165.40	153.20	149.51
The World Index (2220)	134.47	-11.1	104.03	107.32	102.67	117.40	-11.3	2.94	133.76	102.67	107.55	101.43	116.73	153.70	130.66	140.43

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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Amendments to indices for August 12 applied to Belgium, related regional indices and The World Index. For further information please contact FT Statistics (Tel. 071 873 4007).

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

	Aug 14	change		Aug 14	change
... 3 Mth. Bank Bills	9⅜	-⅛	PARIS Intervention Rate	9.60	Unch'd
TOKYO One month Bills	4⅛	-⅛	One mth. Interbank	10	Unch'd
Three month Bills	4⅛	Unch'd	Three month	10⅛	-⅛
BRUSSELS One month	9⅞	+⅛	MILAN One month	16⅛	+1⅜
Three month	9⅞	+⅛	Three month	15⅞	+1⅛
AMSTERDAM One month	9.62	Unch'd	DUBLIN One month	10⅝	+⅛
Three month	9.62	Unch'd	Three month	10⅝	+⅛

FINANCIAL TIMES STOCK INDICES

	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 7	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.47	87.96	88.06	88.21	88.28	88.28	89.75	85.11	127.4	49.18
Fixed Interest	104.70	104.19	104.29	104.40	104.49	105.11	106.26	97.15	106.26	50.53
Ordinary	1753.8	1722.2	1715.3	1723.5	1731.8	1753.3	2149.7	1715.3	2149.7	49.4
Gold Mines	80.2	81.6	85.8	88.2	89.3	88.7	160.6	80.2	734.7	43.5
FT Act All-Share	1119.79	1103.70	1097.21	1099.67	1107.15	1119.23	1326.36	987.46	1326.36	61.92
FT-SE 100	2356.8	2318.0	2303.1	2309.6	2325.7	2350.1	2737.8	2303.1	2737.8	986.9
FT-SE Eurotrack 100	1042.13	1035.59	1037.76	1044.92	1049.68	1067.01	1199.58	1035.59	1199.58	960.45
FT-SE Eurotrack 200	1074.48	1065.09	1065.14	1068.69	1074.19	1088.80	1248.79	1065.09	1248.79	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	W'k % change	Amnt £m	Interest due	Last xd	City line
"Shorts" (Lives up to Five Years)							
13½pc 1992		100⅜	-.1	1,767	Mr22 Se22	14.2	1266
...		[illegible]					
Exch 13½pc 1994		105⅞	—	1,100	Oc27 Ap27	23.3	1267
Treas. 10pc Ln. 1994‡‡		100⅞	0.2	1,980	De9 Je9	5.5	1284
Exch 12½pc 1994		105⅛xd	0.1	1,240	Fe22 Au22	16.7	1263
Treas 9pc 1994‡‡		99⅛	0.3	1,988	My17 Nv17	18.4	1345
12pc 1995		105⅜	0.2	2,350	Jy25 Ja25	18.6	1294
Exch 3pc Gas 90-95		91⅞	—	214	Nv1 My1	25.3	1271
10¼pc 1995		101¼	0.2	2,400	Ja21 Jy21	15.6	1254
Treas 12¾pc 1995‡‡		108⅜	0.3	848	My15 Nv15	8.4	1298
14pc 1996		112¼	0.2	778	Jy22 Ja22	15.6	1305
9pc 1992-96‡‡		99⅞xd	0.6	750	Sa15 Mr15	18.8	1344
15¼pc 1996‡‡		116⅜	0.2	1,150	Nv3 My3	27.3	1309
Exch 13¼pc 1996‡‡		110⅞	0.3	800	Nv15 My15	8.4	1268
Conversion 10pc 1996		101⅞	0.4	3,400	My15 Nv15	8.4	1240
Treas 13¼pc 1997‡‡		112⅞	0.4	1,290	Jy22 Ja22	15.6	1302
Exch 10½pc 1997		103⅞xd	0.4	3,700	Au21 Fe21	16.7	1253
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		97⅞xd	0.4	4,000	Mr1 Se1	27.7	1341
Exch 15pc 1997		121⅛	0.2	800	Ap27 Oc27	23.3	1269
9¾pc 1998		101⅞	0.3	3,250	Jy19 Ja19	12.6	1273
Treas 6¾pc 1995-98‡‡		91⅞	0.4	1,100	Mv1 My1	25.3	1331
15½pc '98‡‡		126⅝	0.3	835	Mr30 Se30	24.2	1308
Exch 12pc 1998		111⅞	0.4	3,000	My20 Nv20	13.4	1259
Treas 9½pc 1999‡‡		101⅛	0.3	1,988	Jy15 Ja15	8.6	1347
Exch 12¼pc 1999		113⅛	0.3	3,050	Se26 Mr26	18.2	1264

BRITISH FUNDS - Cont.

	Notes	Price £	W'k % change	Amnt £m	Interest due	Last xd	City line
Treas 10½pc 1999		105⅞	0.4	1,252	Nv19 My19	13.4	1288
Conversion 10¼pc 1999		104⅞	0.4	1,798	My22 Nv22	15.4	1242
9pc 2000‡‡		98⅞xd	0.3	4,158	Se3 Mr3	28.7	1244
...		[illegible]					
Conversion 9½pc 2004		102⅞	0.4	3,012			
9½pc 2005		102⅞	0.4	4,442			
Treas 12½pc 2003-05		121⅛	0.6	2,200			
8pc 2002-06‡‡		91⅛	0.5	1,800			
Treas 11¾pc 2003-07		115⅞	0.2	3,150			
Over Fifteen Years							
Treas 8½pc 2007‡‡		95⅞	0.4	2,097			
13½pc '04-08		128	0.6	1,250			
9pc 2008‡‡		100⅛	0.5	4,871			
8pc 2009		91⅛	0.4	1,300			
Conv 9pc Ln 2011‡‡		100⅞	0.5	2,923			
Treas. 9pc 2012		100⅞	0.4	1,500			
9pc 2012 A		70⅞	0.6	2,750			
Treas 5½pc 2008-12‡‡		80⅞xd	0.9	1,000			
7¾pc 2012-15‡‡		88⅝	0.5	700			
Exch 12pc '13-'17		127⅞	0.6	1,000			
Treas 8¾pc 2017		98⅝xd	0.5	2,000			
Undated							
Consols 4pc		43⅛	-3	359			
War Loan 3½pc‡‡		38⅞	-3	1,909	Je1 De1	27.4	1352
Conv 3½pc '61 Aft		51⅛	-2	127	Ap1 Oc1	24.2	1243
Treas 3pc '66 Aft		32⅛	0.6	56	Ap5 Oc5	2.3	1324
Consols 2½pc		27⅛	—	276	5JaApJyOc	1.8	1238
Treas. 2½pc		27	—	475	Ap1 Oc1	24.2	1315

BRITISH FUNDS - Cont.

Index - Linked (b)

	Notes	Price £	W'k % change	Amnt £m	Interest due	Last xd	City line
Treas. 2pc '94	(102.9)	128⅞	0.1	500	Nv16 My16	9.4	5070
...		[illegible]					
Manchester 11½pc 2007		118¼	0.2	7	Ap25 Oc25	30.3	3275
Met. Wtr. 3pc 'B'		60	—	35	Mr1 Se1	1.8	3381
N'wide Anglia 3⅞pc 2021		108½	0.5	60	Ja30 Jy30	8.1	3465
4⅛pc IL 2024		107½	0.2	50	Fe23 Ag23	20.7	-
Utd Mex States 16½pc 2008		124	0.4	58	Mr1 Se1	17.2	-

OTHER FIXED INTEREST

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES— Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

AMERICANS

	Notes	Price £	W'k% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	15⅝xd	-2.3	60c	FeMyAuNv	18.7	1503
ΨAllegheny & W		306p	-6.4	30c	–	–	–
Amdahl		667p	-4.3	10c	NvMrJeAu	31.1	–
Amer Cyanamid		31⅞	-1.6	$1.65	MrJeSeDe	4.3	–
Amer Express		11⅞xd	-4.0	$1.00	FeMyAuNv	28.6	1594
Amer T & T		22⅞xd	-1.9	$1.32	FeMyAuNv	27.3	1597
Ameritech		36	-3	$3.52	FeMyAuNv	28.3	–
BankAmerica		23½xd	-1.2	$1.30	FeJeSeDe	19.6	1744
Bankers NY		32¼xd	-8	$2.54	ApJyOcJa	27.12	1745
Bell Atlantic		25	0.5	$2.60	FeMyAuNv	4.7	–
BellSouth		27⅝	—	$2.76	FeMyAuNv	6.4	–
ΨBethlehem Steel		8¼xd	-10.7	–	MrJeSeDe	6.2	1821
Bowater		1018pxd	-1.9	$1.20	OcJaApJy	9.3	1884
CPC	h	25½xd	2.0	$1.20	JaApJyOc	25.8	2263
ΨCadiz Land Inc		150p	9.9	–	–	–	–
Campbell Soup		19⅞xd	-6	78c	OcJaApAu	2.7	2050
Chase Manhattan		12⅜xd	-2.4	$1.20	FeMyAuNv	24.7	2109
Chrysler		10⅞xd	-2.8	60c	ApJyOcDe	17.8	2135
Citicorp		9⅜xd	-7.8	–	–	23.10	2141
Colgate-Palm		27⅞xd	1.4	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		914p	-2.7	60c	DeMrJeSe	31.5	–
Dana		20½xd	-2.4	$1.60	MrJeSeDe	26.5	2306
Data General		410p	-6.8	–	–	–	–
Dun & Brad		29¼	-4.1	$2.28	MrJeSeDe	13.2	–
Eaton		40½	-1.8	$2.20	FeMyAuNv	2.2	2410
Echlin		9½xd	-6.4	70c	JaApJyOc	30.8	3048
FPL		19½xd	-1.3	$2.44	MrJeSeDe	26.5	–
Fluor		20⅞	-1.5	40c	JaApJyOc	18.8	2609
Ford Motor		21⅞xd	-1.5	$1.60	MrJeSeDe	26.7	2615
Gen Elect		39⅞xd	-1.6	$2.36	JaApJyOc	3.8	2575
ΨGeneral Host		400p	2.5	34c	–	18.12	–
Gillette		27⅞xd	1.6	72c	MrJeSeDe	20.7	2695
Hasbro		16	-3.0	28c	JaApJyNv	1.8	–
Honeywell		32xd	-6.6	$1.65	MrJeSeDe	26.5	2919
Houston Inds		23	-2.6	$3.00	MrJeSeDe	18.11	–
IBM		45⅝xd	-9	$4.84	MrJeSeDe	7.8	2986
Ingersoll-Rand		13¼	-12.0	70c	MrJeSeDe	14.5	2979
Lockheed		24½	-2.0	$2.12	MrJeSeDe	15.2	–
Lowe's	h	1220p	-3	28c	JaApJyOc	11.7	–
Merrill Lynch		25⅞xd	-4.0	$1.28	FeMyAuNv	30.4	3351
Morgan (JP)		31	-1.2	$2.16	JaApJyOc	17.8	3418
Morris (Philip)		41¼xd	-2.4	$1.72	JaApJyOc	18.8	5161
NYNEX		43¼	1.2	$4.64	FeMyAuNv	27.8	4740

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

	Notes	Price	W'k% ch'ge	Div net	Div cov.	Dividend paid	Last xd	City line
Starmer		7	-6.7	0.2	2.7	Jul Nov	11.5	4816
Tarmac		64	0.8	5.5	0.4	Jul Dec	27.4	4178
♦Tilon	†	145	—	3.25	3.4	Jul Feb	11.5	4881
Travis Perkins		133	-2.2	8.0	0.7	Nov Jul	11.5	4297
♦Tudor		35	—	0.5	0.6	Jul Dec	15.4	4325
Unigroup		13	—	–	–	–	8.86	4348
Ward Group	‡	60	—	7.2	2.3	Jan Nov	14.10	4427
♦Waterhouse		35	—	–	–	Apr	9.7	1697
Wickes		74	17.5	–	–	–	8'90	4458
Wilshaw		14¼	—	0.4	2.2	Oct Mar	13.7	4515
Wolseley		334	5.0	12.1	1.8	Jul Jan	29.6	4529

BUSINESS SERVICES

	Notes	Price	W'k% ch'ge	Div net	Div cov.	Dividend paid	Last xd	City line
ADT S		386	-3.7	–	–	–	–	2861
Adam & Harvey		200	-2.3	11.5	5.6	Jan Sep	13.7	1643
♦Air London	†	81	—	3.2	2.9	Dec Jun	27.4	1423
African Lakes		41	—	2.8	2.5	Jun	11.5	1526
Apio'ted Sec	†	117	—	4.5	2.2	Jun Dec	27.4	1768
BET	g	114	3.6	6.5	1.1	Jan Aug	29.6	1829
BNB Res		85	-1.5	4.9	1.7	Nov May	27.4	1759
BPP		233	-9	6.9	2.3	Nov May	23.3	1889
Barbour Index		220	-4.3	7.25	2.1	Oct Apr	15.6	1760
Boustead	♦	30	-1.6	0.7	0.6	Jan Jul	11.5	1883
Brit Data Mangt	R	120	-9.1	4.0	2.7	–	–	1577
♦Broadcastle		18	-9.1	–	–	–	24.9	1484
Brooks Service		81	—	4.65	0.8	Mar May	6.4	1978
Burns-Anderson		28	—	–	–	–	12'89	2018
CRT		95	-5.9	2.4	♦	Oct Mar	27.7	4841
Capita	†	318xd	-2.5	5.4	2.9	Oct May	10.8	4843
Caskel		27	—	0.5	3.3	Oct Mar	9.12	2877
Chiltern Capital		36	6.1	–	–	–	–	2508
Christie Group		23	—	–	–	–	6'90	5144
♦Comac		38	—	–	–	–	4'88	2194
Corp Servs		14	—	–	–	–	–	4066
Dart		78	—	3.3	2.6	Aug Jan	13.7	1378
Davis Service		158	-6	7.98	1.6	Jan Oct	27.4	2318
♦EW Fact		181	—	4.31	2.0	Nov May	6.4	1488
Gardiner		16	—	1.3	2.2	Oct Apr	27.7	4897
Gardner DC		36	6.1	–	–	–	4'91	4901
Hays	†	178	-6	4.8	2.5	May Nov	23.3	6377

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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INVESTMENT TRUSTS - Cont.

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

on interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Subject to local tax.
G Assumed dividend after pending scrip and/or rights issue.
H Dividend based on prospectus or other official estimates for 1991.
K Dividend based on prospectus or other official estimates for 1992-93
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1991.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:
Additions: Kenwood Appliances (Section: Electricals); Clyde Blowers (Eng. General); Henderson European (Ord, Units and Zero Prf.) and M & G Recovery Zero Prf. (Inv. Trusts); Berlo (Miscellaneous) and Channel (Motors).
Deletions: California Energy, Decora Inds. and United Technology (Americans.); IRG (Miscellaneous); Smurfit (J) 9%pc Cnv Notes (Pckg. Paper & Prtnig.); BHH (Property) and Turnbull Scott (Transport).

4:00 pm prices August 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅝	11⅞	AAR Corp	0.48	3.9	19	149	12⅜	12¼	12⅜	-⅛
29	18	A L Labs A	0.16	0.9	70	60	19⅝	18⅞	19⅝	
68¼	52⅞	AMP Inc	1.82	2.8	21	1425	54½	53¾	54	-⅛
80¼	58⅞	AMR			21	8767	60⅛	58¾	60	+½
2⅞	1⅛	ARX			2	15	1⅞	1⅞	1⅞	+⅛
59½	37⅞	ASA x	2.00	5.4	24	320	37⅞	d37⅜	37⅞	+1¼
34¼	26⅛	Abbott Lab	0.60	2.0	21	6540	30½	30	30¼	
13⅞	12	Abitibi Pr	0.50	3.9	6	4	12⅞	12⅞	12⅞	
11⅝	10½	ACM Gvt In	1.08	9.6		167	11¼	11⅛	11¼	+⅛
10⅜	9⅛	ACM GvOpp x	0.92	9.3		62	9⅞	9⅞	9⅞	+⅛
9½	8½	ACM Gvt Sp x	0.82	8.7		284	9⅜	9¼	9⅜	+⅛
11¼	10⅛	ACM Gvt Se	0.96	8.7		553	11⅛	11	11	-⅛
10¼	8⅝	ACM Man x	0.96	9.7		317	10⅛	10	10⅛	
12⅞	10⅝	ACM Mgd x	0.99	9.1		95	11	10⅞	10⅞	-⅛
11¼	4⅞	Acme Clev x	0.40	5.6	13	471	7⅛	7	7⅛	
6¼	4⅞	Acme Elect			4	35	5	5	5	+⅛
33¼	16⅛	Acuson			12	248	16⅛	d16	16	-⅛
19½	18⅛	Adams Expr x	0.48	2.5	0	51	18⅞	18¾	18⅞	+⅛
49⅛	29½	Ad Micro	3.00	8.4		105	36¼	35¾	35⅞	-⅜
21½	7½	Ad Micro P	3.00	32.0	3	734	9⅜	9¼	9⅜	+⅛
9⅛	5	Advest Grp	0.16	3.0	76	46	5⅜	5⅜	5⅜	-⅛
37¾	33	Aegon ADR	1.68	4.5	7	z100	37⅛	37⅛	37⅛	
47	38⅛	Aetna Lf	2.76	6.6	10	1897	42⅞	42⅜	42½	
12¼	8⅛	Affil A x	0.24	2.0	14	122	11⅞	11⅝	11¾	
34	24	Aflac x	0.44	1.4	16	478	32⅛	31⅞	32⅛	
19⅞	15¼	Ahmanson x	0.88	5.3	7	1038	16½	16⅜	16⅝	+⅛
22½	5⅝	Aileen Inc			5	67	5⅞	d5⅝	5⅝	-⅛
49½	36½	Air Pr Chm	0.86	2.1	17	2267	41⅜	40½	41⅜	+⅜
29¼	12½	Airbne Frt x	0.30	2.4	25	206	12⅞	12¼	12¼	+⅛
34¼	22⅝	Airgas Inc			26	224	31⅞	31½	31⅞	+⅜
12⅛	8⅛	Airlease	1.68	14.6	8	47	11½	11	11½	+½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

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Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices August 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	22	111	12	11⅞	12	+½
Pet Ht&P	1.14	17	74	16	15¾	15¾	
Phil LD	0.21	17	876	42⅝	41¾	41¾	+⅛
Pitway A	1.10	16	24	29⅞	29⅝	29⅞	
Ply Gem x	0.12	22	44	10⅜	10⅛	10⅛	−⅛
PMC	0.66	15	52	10⅜	10⅛	10⅛	
PresidioA	0.10	1	33	1⅞	1¾	1⅞	+⅛
Price Com		0	14	⅛	⅛	$\frac{3}{32}$	$-\frac{1}{32}$
RBSW Cp		2	115	4¼	4⅛	4⅛	−⅛
RiedelEnv		4	3	5½	5⅜	5⅜	
SJW Corp	1.96	7	z100	u35½	35½	35½	
StanUnion		23	127	14¾	14½	14¾	
Sterl El		11	17	4	3⅞	4	
TII Ind		2	42	1⅜	1⅜	1⅜	
Tab Prods	0.40	38	6	10¼	10¼	10	
Tel&Data	0.32	45	457	34¾	34½	34⅝	
Thermedics		127	116	7⅝	7⅜	7⅝	+⅛
Thermoins		24	71	25¼	25	25¼	+¼
Total Pet	0.40	10	41	7½	7¼	7½	+¼
TownCntry		0	93	1⅞	d1¾	1⅞	
Tubos Mex		22	213	5¾	5⅝	5¾	+⅛
UnitFoodsA		4	6	1⅝	1⅝	1⅝	
UnitFoodsB		5	z100	1⅝	1⅝	1¾	+⅛
UnivPatts		36	122	11	10¾	11	+⅛
US Cellul		92	64	19⅝	19⅜	19⅜	
Vivigen		49	344	13⅝	12⅜	13¼	−¼
WangLab C		0	158	3½	d2⅞	2⅞	−⅞
WangLab B		0	15600	2	d1⅜	1⅝	−½
Westbrld		17	379	6¼	6⅛	6¼	−⅛
Westamer	0.52	9	18	19⅝	19⅝	19⅝	
WIRET	1.12	17	92	13	12⅝	12⅞	+⅛
Worthen x	0.10	9	45	22	21⅞	21⅞	−⅛
Xytronix		9	10	8⅞	8⅝	8⅞	+⅛

NASDAQ NATIONAL MARKET

4:00 pm prices August 14

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

MONDAY INTERVIEW

The riddle of The Chairman

Jerry Rawlings, president of Ghana, talks to Julian Ozanne

The World Bank may be surprised to learn that its model economic recovery programme in Africa is described as "economic blah blah blah" by Ghana's president.

Flight-Lt Jerry John Rawlings, 45, is more at home in the cockpit of a fighter-jet than articulating the principles of the structural adjustment programme which has been adopted across the continent. But, in spite of his apparent contempt for economic theories and intellectuals, Rawlings has not wavered in his political support for tough and often unpopular reforms.

One of Africa's most dynamic leaders, Rawlings has ruled post-colonial Ghana, often uncomfortably, for the past 13 years – longer than anyone else. Since his first populist military coup in 1979 against a corrupt, army-led government, he has set Ghana back on the road to economic rectitude and political maturity – although not without abuses of human rights that he now refers to as "mistakes".

He has had to confront the problems facing other parts of Africa in the 1980s: marginalisation, corruption, the fall-out from the end of the cold war and external and internal pressures for democratisation.

Having presided over reform of the economy, "JJ", or "The Chairman" as he is known, now faces a challenge equally demanding: the transition from the authoritarian, often idiosyncratic era of military rule to a multi-party democracy, culminating in presidential elections in November this year.

He is shy of publicity and foreigners and rarely gives interviews. But recently he spoke to the FT in his modest private quarters inside the whitewashed, 16th-century, Danish-built castle which is home to Ghana's presidents. The Chairman, in a checked plaid shirt, jeans and army-green Reeboks, railed against his familiar targets – the hypocrisy of the "so-called ethics" of the US, the way the west has sponsored brutal African dictators like President Mobutu Sese Seko of Zaire, and "the greedy consumerist attitude of Europeans" which was destroying the environment.

At times, he struggled to find the words for his emotional thoughts. But in an exceptional display of candour, he revealed the qualities which have made him popular. They include his acknowledgment of "his own limitations", his plain speaking and an element of playfulness, revealed by his production of a huge tiger's claw he cut from a tiger's skin in an Ethiopian palace.

To many, Rawlings is an enigma – a firebrand socialist who has pursued one of the continent's most widely praised free-market economic reform programmes, backed by aid from the World Bank and the International Monetary Fund. Since 1983 he has backed a programme of devaluation, trade liberalisation, tight fiscal and monetary policy, and large reductions in the bloated bureaucracy. These policies have given Ghana an average real growth rate of 5 per cent a year, reduced inflation from an annual rate of 123 per cent in 1983 to 18 per cent last year, restored confidence and stimulated investment and the return of millions of dollars held overseas by Ghanaian nationals. Debt arrears of US$600m were erased by 1990.

Part of the answer to the Rawlings riddle lies in the fact that he has been shrewd enough to ensure that management of the economy, which he admits he does not fully understand, has been left to technocrats led by Dr Kwesi Botchwey, the finance minister, and including Dr Joe Abbey, the ambassador to Washington. "They are workers but they like to call themselves advisors," Rawlings jokes.

He has also shown a political commitment to reform. Rawlings believes that in Africa the alleviation of poverty can be achieved only through a lean, free-market economy, backed, at least in the short-term, by western aid. Classical structural adjustment policies of devaluation, free-market liberalisation and cutting of subsidies have redistributed wealth and promoted growth. They have released state resources for education, health and infrastructure, and shifted the terms of trade in favour of rural farmers who make up most of the population.

Rawlings said common sense dictated that he support economic reform. "What we are aiming for is the humanising of capitalism ... We have only done what is common sense to the ordinary person. Oppressed, poor people don't have to be told by foreigners and intellectuals about corruption, the price they have paid for their cocoa or bringing clean water to their villages."

This commitment to "the people", combined with a reputation unsullied by charges of corruption, has made the programme one of the most successful in the continent.

Rawlings' support for free-market policies, however, remains qualified, and he stresses that colonialism and the inequities of the international economic order remain powerful constraints on Africa's development. He also frequently lashes out at the west, complaining about the way Africa has become marginalised and "ripped-off" by some foreign companies.

Many question whether, with these views, Rawlings can deepen the limited successes of the reform programme, and move it forward to the next critical level. This requires a commitment to the private sector and foreign investment which would create self-sustainable growth without dependence on foreign aid.

In three months Rawlings will return the country to civilian rule for a second time. So far, he has remained mute over whether he will be a presidential candidate. "I have left it to God for guidance. That's what I tell the diplomats anyway," he said, chuckling.

However, having once before wrested the country back from an incompetent civilian administration, he hopes that Ghanaians will avoid being being badly served by politicians again. "The people have become a lot more defiant. You can't fool the people any more with sweet promises. Thank God for it. The politicians would be better talking about the reality of hardship ahead which faces us, instead of trying to con people."

If Rawlings decides to run against as-yet undeclared opponents, he will face severe criticism of his human rights record, which includes executions, kidnappings, arbitrary detention without trial and confiscation of property.

The Chairman admits that human rights abuses have been committed during the past decade, but he says he is genuinely sorry for past excesses. "The humanity of our revolution is that the politicians can come back and smear us. In the French revolution, they were beheaded. Our crime is our humanity."

This humanity is best illustrated by his background and character, rather than by his erratic and flamboyant economic and political philosophy. He recalled his childhood on the streets of Accra, where he got into "a lot of scrapes and whenever I heard a police siren my heart started pounding because I thought they were coming to get me".

During the interview, he prowled around his study, which has two televisions so he can get CNN, C-Span and watch videos about acrobatic and formation jet-flying, his first recreational passion. But his ferocity crumbled as he got up to hug his wife and children and listen to a little lecture from Mrs Rawlings about kicking his heavy smoking habit.

Throughout his rule, he says, he has managed to make sure "the office doesn't take away my personal freedom". His bedroom is like a small workshop with tools spread out for building radio-controlled model aircraft. A punch bag hangs next to the dining table. He has made time for regular complex flying exercises. Flying, he says, is the "ultimate challenge" and "anybody who does not enjoy these things does not get the best out of life".

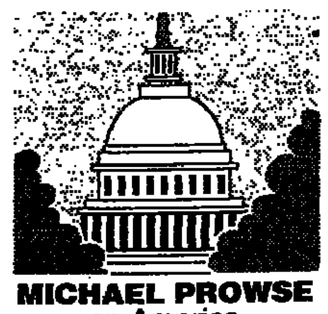
If he stands and is defeated in the forthcoming elections, he says he will have to search for a job because "I have no money". But he says he might like to write a book on social psychology or become a preacher to continue his campaign against injustice.

'We have only done what is common sense'

PERSONAL FILE

- **1947** Born in Accra.
- **1968** Enrolled in Military Academy, Teshie.
- **1969** Jet-fighter pilot.
- **1978** Commissioned as a Flight-Lt.
- **1979** Seized power in *coup d'état*.
- **1979** Handed over to civilian elected government.
- **1981** Second coup; chairman of Provisional National Defence Council.
- **1983** Unsuccessful coup attempt leaves 17 dead. Austerity budget marks start of economic reform programme.
- **1990** National Commission for Democracy organises debate on Ghana's future.
- **1992** Legalises multi-party politics.

Time to do or die on the economy



MICHAEL PROWSE on America

Forget family values, education, healthcare and crime. The principal challenge facing the Republican party in Houston this week is economic. If President George Bush leaves the Astrodome on Thursday night having convinced the American people that he can restore economic prosperity in a second term, he may win in November. If he fails to sound credible on the economy, he may as well head straight for retirement in Kennebunkport.

The task of reinventing Mr Bush as an economic statesman falls to his old friend, Mr James Baker, who is moving back to the White House as chief of staff. Mr Baker has the credentials for the job. He brings a strong personal staff from the State Department, including Mr Robert Zoellick, his widely respected economic aide.

A natural pragmatist, Mr Baker gained worldwide respect as treasury secretary in the mid-1980s when he boldly reversed the Reagan administration's "hands off" approach to the dollar, advocating instead a policy of collective intervention by the leading industrial powers backed by global co-ordination of fiscal and monetary policy. That *volte face* indicates that Mr Baker would not hesitate to recommend a radical change of economic course if he felt it would help electorally.

Mr Baker's return to domestic affairs is a reminder that the sense of drift during Mr Bush's first term owed much to the weakness of his economic team. Mr Nicholas Brady, the treasury secretary, has been invisible much of the time while more junior figures, such as Mr Michael Boskin, the chief White House economist, lack clout with the president. Mr Bush's domestic advisers repeatedly projected rosy economic upturns, creating the impression that the White House was badly out of touch.

They have also mishandled Congress. Mr Bush, for example, set a date this spring (a domestic line in the sand) by which Congress had to pass his "growth package"; but when Congress did not, he meekly accepted the rebuff.

Mr Baker's first task is to rewrite history so as to give the impression that Mr Bush has made economic progress. Frankly, this looks horribly difficult. I can think of only two obvious achievements – a reduction in the rate of inflation from about 5 per cent to perhaps 3 per cent, and the just concluded North American Free Trade Agreement.

Neither is an automatic turn-on for voters. Few people regarded the 5 per cent inflation of the 1980s as problematic and hardly any would choose to pay even a temporary price in lost jobs to get it down. Nafta mainly has appeal as a way of countering "Fortress Europe" and neutralising Japanese economic power, which frightens Americans. But many voters will have mixed feelings, recognising that blue-collar jobs may be exported to Mexico.

The negative side of Mr Bush's ledger is daunting. Living standards have barely risen since he was campaigning in 1988 – an awfully long time in this land of short attention spans – while the unemployment rate is sharply higher.

Mr Bush has presided over the slowest economic growth of any president since Herbert Hoover and the fastest growth of federal spending since the early 1960s. He has broken his pledge not to raise taxes, but not decisively enough to prevent budget deficits exploding to their highest level since the second world war. The middle classes, struggling to service mortgages on houses that are often losing value, have been hit by soaring costs of healthcare and college tuition. Polls indicate a general loss of confidence in the American dream of steadily rising prosperity.

To be fair, Mr Bush's record is poor partly because he had to clear up the mess left by two Reagan presidencies. Mr Reagan pulled every lever to gain temporary advantage: he revved up defence, slashed income and corporate taxes, lowered interest rates and gave huge tax incentives for real estate development. The ensuing boom eventually drowned in a sea of debt. Mr Baker, however, can hardly defend Mr Bush's record by blaming Mr Reagan, whom he served for eight years and who remains a hero to grassroots Republicans.

If the past is a minefield, the future is also fraught with danger. Conservative Republicans are strongly pressing a free-market strategy for economic renewal, consisting mainly of sharp cuts in income and capital taxes and vague promises to restrain federal spending. As he left Foggy Bottom last week, Mr Baker signalled support for some of this platform. But he and Mr Zoellick will have to ponder carefully the merits of offering the American people another walk on the supply side.

The federal deficit is at record levels, the federal debt has quadrupled to \$4,000bn under three Republican administrations. Mr Bush has shown no capacity to control spending and has already proposed healthcare reforms that will cost an extra \$100bn. Are voters really going to believe in the wisdom of further tax cuts?

So what else could the pragmatic team of Baker and Zoellick offer? How about an investment programme to repair the nation's crumbling infrastructure and upgrade workforce skills to make American business more competitive in world markets? Sounds great: too bad that Governor Bill Clinton's policy wonks had the idea first.

History turns on its tail

Letter from THE MIDLANDS

History is playing tricks with Birmingham and the Black Country, the sprawling conurbation at the heart of the West Midlands, at the heart, indeed, of British industry itself.

According to the old aphorism, history ought to be repeating itself. More likely, it has stopped repeating and gone back on itself. Put another way, the recession gives rise to the thought that the economic foundations of the conurbation are gently crumbling.

If history is simple repetition then there is nothing exciting in the present recession or its predecessor of the early 1980s. Recessions are regrettable. They cause hardship. But eventually they go away. They are just part of the normal order of things and have been for a couple of centuries. Asa Briggs, the historian, writing* of Birmingham in the Victorian era, termed it "a city of marked industrial fluctuations".

The difficulty is that the gap between the fluctuations seems to become shorter. There were about three good years between the recession of the 1980s and that of the 1990s. So the emphasis in the plethora of engineering companies is on survival rather than expansion, on cost-cutting rather than investment.

All industrialists are busy reading the runes, looking over their orderbooks and finding that instead of them getting fatter they are remaining dangerously thin. The surveys of business performance and expectation – from the Confederation of British Industry, the Engineering Employers' Federation and the Chambers of Commerce – scrutinise the ground for the chancellor's green shoots and find the soil waterlogged. The best they can say is that things are not getting much worse.

Looking for solace, Mr Edward Roberts, the CBI's regional chairman, found it encouraging that "whilst there may be less spending on buildings in the year ahead, investments in plant and machinery may stabilise – for the first time in three years".

If the investments are not being made, it is difficult to see how West Midlands industrial companies can remain competitive later in the decade. Rather, they will be in the position of trying to keep up the speed of a Mercedes in a Morris Minor. And here the problem is not with the big players – the likes of GKN, Glynwed, IMI and Lucas or even car makers such as Rover or Peugeot – but with the host of small companies.

The industrial base was built up on small companies. Briggs quotes the factory inspector who, in 1843, remarked that "there are no large and crowded factories such as abound in other districts". Nearly 150 years on, there are, of course, large factories but the importance of the small companies remains: Birmingham still likes to see itself as the city of a thousand trades.

The small companies are vainly looking for help. Mr Andrew Millward, chairman of the regional Chambers of Commerce and thus spokesman for 13,000 companies, turned recently to the old refrain. "Companies still need to be given right messages by the government. They need to see a lowering of interest rates. It is important also that a correct balance is struck between controlling public expenditure and ensuring that important long-term investment programmes, particularly those for training and infrastructure improvement, continue," he said.

Leaving aside the gripes about the cost of money and the litany of complaints about roads, rail and the rest, the underlying importance of what Mr Millward was saying concerns skills. Lack of them caused bottlenecks in the heady days of the 1980s. Shortage will doubtless return when companies start taking on labour instead of laying it off.

Recession is causing the skills base, slender at best, to atrophy further. Last week's unemployment figures put the proportion of West Midlands jobless at 10.6 per cent, or 267,500 people. That number will increase. The latest CBI-BSL regional trends survey put the loss of manufacturing jobs at 23,000 this year alone. But then the number of manufacturing jobs has been in decline since the 1970s.

At one level, this fall in manufacturing employment can be construed as a healthy development. Companies, it is argued, get leaner; their costs come down; their productivity goes up. Last week's sharp rise in profits from Glynwed, one of the most diversified of West Midlands engineering groups, adds support to that argument. It has been cutting its manned capacity to meet lower demand. It has not cut its machinery capacity.

There is another factor to support the argument. It is that the West Midlands, with 33.2 per cent of its gross domestic output coming from manufacturing, needs to diversify its economy into services. Then it would be less vulnerable to Briggs's "industrial fluctuations".

The problem is that the service industries tend not to offer such high wages as manufacturing. So relatively well-paid jobs are being exchanged often for low-paid jobs. This exacerbates a growing social problem. The West Midlands Low Paid Unit calculated that 45.4 per cent of adult workers in the region received wages under the low-pay threshold of £185 for a 38-hour week.

Briggs noted that in the 19th century "a large proportion of the Birmingham labour force was skilled and therefore relatively well-off economically". This was a source of strength in developing the industry which gave the city and its region prosperity. The proportion of the unskilled – those, by definition, who are low paid – is too high to secure regional prosperity in the late 20th century. Which is one reason why history has turned back on itself.

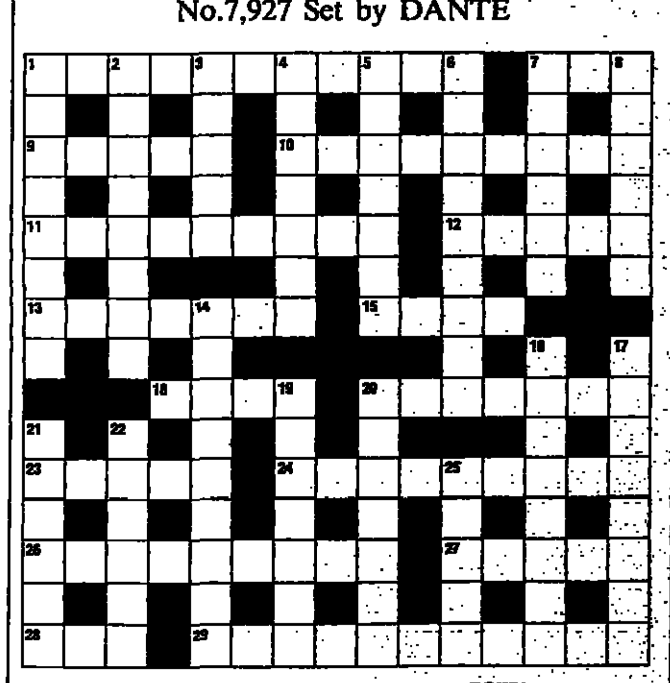
* *Victorian Cities by Asa Briggs; Odhams Press, 1963; Penguin Books 1990*

Paul Cheeseright

JOTTER PAD

CROSSWORD

No.7,927 Set by DANTE



ACROSS

1 Shooting-brake? (6-5)
7 Bank dispute (3)
9 Handy means of signalling lightly? (5)
10 Grant, for example, minimal amount to tenant (9)
11 It means endless trouble for Peter and Paul (9)
12 Relish a piece of impudence (5)
13 Helping poor relations? (7)
15 Cover or uncover (4)
18 One rejected a kinght's title? It's a bloomer! (4)
20 Affairs of some consequence? (7)
23 Excuse for the absent-minded? (5)
24 Totaliser at odds gives philosophical result (9)
26 Give short change in error (9)
27 Changes as one ages (5)
28 Amphibian decapitated – not right (3)
29 One who's out and about (11)

DOWN

1 Impressed on eastern flight (8)
2 Make a union defer tea break (8)
3 Give an oral test (5)
4 Take a suitable remedy around (7)
5 Something a climber may be raised on (7)
6 An irritating habit (9)
7 Primate replaces the ushers (6)
8 Dry form of humour gets her (6)
14 He saw himself as winning on the pools (9)
16 Bible as used for sermons? (8)
17 His opinion is sure to be of some value (8)
19 It helps an artist perform brilliantly (7)
20 Mother's driving in fourth gear; and all at sea (7)
21 Father will take part – it's a promise (6)
22 Straight order (6)
25 Rita altered a capital investment (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 29.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 15.08.92: Pool purchase price £/MWh	Final Prices for Trading on 19.07.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.49	20.26	21.76
0100	19.41	20.26	21.77
0130	19.37	20.26	21.77
0200	19.37	20.26	21.77
0230	19.37	20.26	21.77
0300	19.30	17.77	17.77
0330	19.30	17.64	17.64
0400	19.30	17.64	17.64
0430	19.30	17.58	17.58
0500	19.30	17.58	17.58
0530	19.87	17.58	17.58
0600	19.87	17.56	17.56
0630	19.87	17.56	17.56
0700	19.87	17.56	17.56
0730	19.87	20.78	22.39
0800	20.49	20.78	22.32
0830	20.74	22.72	24.31
0900	20.93	22.72	24.29
0930	21.30	22.72	24.28
1000	21.46	22.72	24.28
1030	22.07	24.70	26.31
1100	22.22	24.70	26.30
1130	22.22	26.79	28.44
1200	23.09	27.99	29.66
1230	25.69	27.99	29.65
1300	25.69	27.99	29.67
1330	23.09	24.17	25.75
1400	22.22	22.66	24.21
1430	22.22	22.25	23.79
1500	17.74	20.78	22.28
1530	17.71	20.78	22.29
1600	17.70	17.77	17.77
1630	17.70	20.78	22.28
1700	17.74	20.78	22.28
1730	21.04	21.78	23.31
1800	22.22	22.25	23.79
1830	22.22	22.25	23.79
1900	22.22	21.78	23.31
1930	22.22	22.25	23.79
2000	22.22	22.25	23.79
2030	22.22	21.93	23.47
2100	27.31	21.93	23.47
2130	29.28	27.99	29.73
2200	29.28	32.36	34.21
2230	22.00	32.36	34.20
2300	17.85	27.99	27.99
2330	17.76	18.30	18.30
2400	17.71	17.77	17.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8.30am and 5.15pm Monday to Friday.

NGC Settlements Limited 1992

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 17.08.92: Pool purchase price £/MWh	Final Prices for Trading on 20.07.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.70	17.77	17.77
0100	17.70	17.77	17.77
0130	17.70	17.64	17.64
0200	17.70	17.64	17.64
0230	17.70	17.64	17.64
0300	17.70	17.64	17.64
0330	17.70	17.64	17.64
0400	17.70	17.64	17.64
0430	17.70	17.64	17.64
0500	17.70	17.58	17.58
0530	17.64	17.57	17.57
0600	17.64	17.54	17.54
0630	17.69	17.82	17.82
0700	17.71	19.92	21.22
0730	20.96	22.63	24.00
0800	21.91	24.67	26.06
0830	25.13	26.31	27.72
0900	24.65	28.01	29.43
0930	26.03	32.01	33.52
1000	26.04	32.02	33.46
1030	26.05	32.02	33.43
1100	25.59	28.04	29.36
1130	26.14	28.05	29.37
1200	26.19	28.05	29.37
1230	26.18	32.03	33.44
1300	26.12	32.02	33.43
1330	25.56	28.03	29.35
1400	25.15	28.01	29.34
1430	25.14	28.01	29.34
1500	25.14	28.01	29.34
1530	25.14	28.01	29.33
1600	25.14	28.02	29.34
1630	25.15	28.04	29.36
1700	25.15	28.06	29.38
1730	25.14	28.05	29.37
1800	25.13	28.02	29.35
1830	24.84	27.99	29.36
1900	23.89	25.67	27.00
1930	21.65	24.85	26.19
2000	21.59	24.67	26.01
2030	22.10	23.47	24.77
2100	26.64	23.47	24.77
2130	26.39	27.99	29.39
2200	26.39	27.99	29.40
2230	23.11	27.99	29.40
2300	22.59	27.99	29.41
2330	22.41	22.93	24.26
2400	22.41	21.76	23.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8.30am and 5.15pm Monday to Friday.

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